

# FOREIGN AFFAIRS

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## THE WORLD COTTON DRAMA

*By Henry A. Wallace*

OF ALL the crops grown in the United States cotton is the most significant, first because it supports a larger number of farm people than any other crop, and second because it links the United States more definitely with the outside world than any other crop. The producers of many American products are able to fool themselves for long years at a time concerning the real relationship of the United States to the outside world. Not so the cotton farmers. Every year they have it forcibly brought home to them that they are a part of a whole world, with respect both to foreign consumption and foreign competition.

During the five years previous to the World War, the total annual cotton crop of the world was some 20 million bales, of which the United States furnished about 13 million bales. At that time the world outside of the United States ordinarily consumed about 15 million bales a year, about half of which was produced by the United States, and about half by India, Egypt, Russia, China, etc. For forty-five years the trend of production in the United States has been upward, at the rate of about a hundred thousand bales a year; in the cotton growing countries outside the United States the rate of increase has been about a hundred and fifty thousand bales a year.

Again and again during the past century England has done her best to become as independent as possible of American cotton. The movement toward cotton independence for the British Empire has met with great obstacles in the shape of untrained native labor, poorly adapted soils and climates, and lack of transportation facilities. Nevertheless, the steady pressure of England has brought about a fairly constant expansion in cotton acreage in India, Uganda and the Sudan. Other countries, notably Russia, also made strenuous efforts during the twenties to become as in-

dependent as possible of American cotton. South America, too, especially Brazil and Argentina, are becoming more and more interested in producing and spinning their own cotton. China, Korea and southern Manchuria, working more or less in coöperation with Japan, will evidently make strenuous efforts to increase their cotton output. Germany and Italy, in their efforts to become as independent as possible of American cotton, have given especial attention to perfecting methods of making substitutes for cotton yarn and cotton cloth out of wood pulp. The methods used seem to be a modification of the rayon process and the resulting product seems to be more expensive than cotton, and from the standpoint of washability, inferior to cotton. Nevertheless, steady progress is being made in this direction, and it must be remembered that rayon consumption, which twenty years ago was only two-tenths of one percent of the cotton consumption in the United States, represented in the year 1934 nearly eight percent. Undoubtedly, the national political pressures of foreign countries, combined with mechanical ingenuity, will more and more tend to force readjustments on the cotton producers of the United States. In particular, the cotton picking machine, when it is fully perfected, will increase the pressure.

The dramatic nature of the rôle played by American cotton in world affairs has been intensified tenfold since the World War as a result of the new creditor position of the United States. Before the World War, when the United States was a debtor nation, our cotton exports, amounting to nearly half a billion dollars annually, played an exceedingly important part in maintaining normal business prosperity. Before the war the United States owed over a hundred million dollars in interest every year to bondholders in England, Germany, France, Belgium, Holland, etc. Our newly-arrived foreigners sent to the old folks across the sea more than two hundred millions of dollars annually. In the old pre-war days, it was exceedingly important that we ship a half a billion dollars' worth of cotton annually to the outside world, because if the crop were short we would have to ship gold and thus would undermine the base of our credit structure and bring about hard times. It is small wonder, therefore, that not only the people of the South but also the bankers of New York City and the manufacturers in other parts of the nation should have a profound interest in cotton as one of the leading barometers of American prosperity.

Today, 17 years after the World War, this picture has changed in many respects, and as a result cotton growers, ginner, shippers, exporters, spinners and financiers are baffled and occasionally irritable. Today we are a creditor nation to a far greater extent than we were a debtor nation before the war. Those within our borders who have relations across the water send them less than half as much as they used to. We are endeavoring to carry an increasing quantity of both imports and exports in American vessels, and thus it is probable that we shall not pay foreign nations as much as before for shipping charges. Our tariffs, in spite of foreign trade agreements, are still higher than they were before the war and are more effective in keeping out foreign goods. We stopped loaning money abroad in 1930. All of these forces added together mean that it has become exceedingly difficult for foreign nations to buy the necessary dollar exchange with which to purchase American cotton. As a matter of fact, the so-called cotton dilemma of late 1934 would have been twice as serious if it had not been for the tremendous imports of gold into the United States. The dilemma will again become more serious than it has been if the imports of gold into the United States cease without compensating factors coming into the picture.

A creditor nation which refuses to loan money abroad and to accept increasing quantities of foreign goods and services must prepare for serious trouble in her export trade at the time when gold shipments come to an end. It may be, of course, that the volume of gold shipments into the United States during the next four or five years will be so great that the problem of American cotton exports will not be a serious one. It may also be that there will be such an increase in imports of goods into the United States that foreign purchasing power for our cotton exports will be increased. On the whole, however, it would seem that the situation would periodically become tighter rather than less so.

It is popular in many quarters to say that the Agricultural Adjustment program is destroying the foreign market for American cotton. This is not true. The truth is that a creditor nation with a high tariff inevitably destroys a large part of the foreign market for its surplus the moment it stops loaning money abroad. The United States stopped loaning money abroad in 1930, and at that time the American carryover of cotton stocks began piling up until by August 1, 1932, it was three times the normal.

The American cotton control program has thus far not had

nearly as great an effect on American cotton production as the boll weevil had in 1921, 1922 and 1923. In 1921 the American cotton crop, which before the war had been around 13 million bales, was slightly less than 8 million bales. Again in 1922 it was less than 10 million bales, and in 1923 only slightly above 10 million bales. In those years we exported only from 4 to 6 million bales annually as compared with our pre-war normal of some 8 million bales. During the period from 1921 to 1923, the deficiency of United States cotton production below normal totalled about 11 million bales. In 1933 and 1934, the deficiency of American cotton production below normal has totalled only about  $3\frac{1}{2}$  million bales. Moreover, at the present time we have as background a carryover which is more than twice the normal.

It must be kept in mind, of course, that the exceedingly short cotton crops of 1921, 1922 and 1923 were eventually accompanied by high prices which over-stimulated cotton production both in the United States and foreign countries. This resulted, beginning in 1925, in the large cotton acreage which was preliminary to the large accumulation of stocks which played its part in the world-wide collapse among producers of raw materials.

## II

There is food for thought for American producers in a consideration of the way in which the high prices resulting from the short American crops in 1921, 1922 and 1923 eventuated in the expansion of foreign production in 1924 and 1925. The effects of this expansion should also be provocative of thought to the foreign producers, because in the final outcome they probably suffered fully as much as the American producers. In this connection, it may be interesting to survey the trend of cotton acreage in the leading cotton producing areas since 1921.

India, which normally produces about half of the non-American cotton which moves in world trade, started out with a little less than 20 million acres in 1921 and rapidly increased to 28 million acres in 1925. Since the start of the depression in 1930, the Indian cotton acreage has been about 23 million acres, or a little less. Indian cotton acreage has not increased thus far in response to the adjustment program in America. It is expected, however, that with ordinary weather conditions in the year 1935, India, as a result of the situation in the United States, may plant an acreage 5 or 10 percent greater than in the year 1934. If cotton



prices in the United States had been in the neighborhood of 10 cents a pound, it might have been expected that with ordinary weather conditions the Indian acreage in 1935 would remain about 23 million acres or a little less. With cotton in the United States at 15 cents a pound, the tendency apparently would be for the Indian acreage to expand 10 or 15 percent. For a time in late 1934 and early 1935 Indian cotton moved in world trade at a price which was only about 70 percent as high as that of American cotton. On the average, Indian cotton as a result of its shorter staple, ordinarily sells for only about 80 percent of the American price. The abnormal differential at the end of 1934 was somewhat similar to that during the early part of the twenties. In the spring of 1935, however, the abnormal differential between American and Indian cotton was largely wiped out. Nevertheless, in view of the difficulty encountered by foreign nations in buying dollar exchange, it would seem that abnormal differentials between American and foreign-grown cotton may occur at rather frequent intervals until such time as exchange difficulties disappear.

Egyptian cotton is, next after Indian, the leading competitor with the cotton produced in the United States. Russia and China produce more cotton than Egypt, but as their cotton does not move in international trade it has no great significance for us. Egyptian cotton acreage does not move up and down in response to price in the same way that the American and Indian cotton acreage does. For a number of years the Egyptian cotton planting has averaged about 1,800,000 acres. Governmental control was used in 1932 to cut the acreage almost in half, but during the past two years it has returned to normal. It seems that present prices in the United States are not such as to have any pronounced effect one way or the other on Egyptian cotton acreage. The yields per acre of cotton in Egypt are more than twice as high as in the United States and the grade and staple is of excellent quality. It seems probable that there will be no great expansion in Egyptian cotton acreage unless irrigation storage works at the headwaters of the Nile are constructed on a considerable scale. In any event, it will be a number of years before there is likely to be a material increase in Egyptian cotton acreage.

The place to be taken by Brazil in future world cotton competition is much more uncertain than that of the United States, India

or Egypt. Brazil first expanded her cotton production in a material way during our war between the States, at which time her exports were greater than they have been subsequently until the current year. She again began expanding exports when she lost a considerable part of her rubber business about 25 years ago. The third expansion began rather recently, largely as a result of the decline in profits of the coffee business, and continued partly because of the exceptionally high price for Brazilian cotton in terms of Brazilian milreis (in part as a result of the currency depreciation of the milreis), and partly because of a short crop behind a high tariff wall which forced the Brazilian textile manufacturers to bid up unduly in order to get their cotton.

The Brazilian Government apparently looks on both cotton production and cotton spinning as infant industries. Cotton production is encouraged by a tariff of 17 cents a pound. The textile tariffs are exceedingly high, and several of the Brazilian states have special state tariffs. Last year, for the first time since the Civil War, Brazilian cotton exports began to move in world trade in a really large way, and it seems that in the year 1935 there may be as much as a million bales of Brazilian cotton exported. If American cotton moves in world trade on the basis of 15 cents a pound or more, it would seem that there might be a continuing expansion in Brazilian cotton production, especially in southern Brazil. The outstanding limitations are a shortage of trained labor, a lack of proper financing and inadequate equipment for ginning. Probably much of the enthusiasm of Brazilian farmers for cotton will disappear when they discover that the prices for the 1932 crop were largely artificial and due to causes operating in Brazil and not in the rest of the world. The Brazilian Government seems to be committed to cotton expansion and will undoubtedly push production with great vigor if American cotton prices in the world market are above 12 cents a pound. The government is exercising supervision over the quality of the seed and the method of ginning. While undoubtedly the 1934-35 Brazilian cotton crop was freakishly large, because of certain reasons of weather and past history, nevertheless it would seem to be the part of wisdom for American cotton producers to keep in mind that country's truly great cotton potentialities.

Will it be necessary for us, because of our creditor position and our high tariff, to step out of the production of cotton sufficiently to permit Brazil to place an average of a million bales of

cotton on the world market as a substitute for cotton which formerly came from the United States? At 12 cents a pound for American cotton there would seem to be much more likelihood of the expansion of cotton production in Brazil than in Egypt. In the case of India, however, it would seem that while the percentage of expansion might not be so great as a result of 12 cent cotton as in the case of Brazil, nevertheless the increase in terms of bales would perhaps be as great in India as in Brazil.

The cotton acreage of Russia in recent years has been nearly twice as great as Brazil's, but the yield per acre is less and there have been practically no exports. It is a matter of Soviet policy to produce as much cotton at home as possible, and prices for cotton in the United States exercise practically no effect one way or another on Russian cotton acreage. Russian cotton acreage today is somewhat greater than it was just prior to the World War. Nevertheless, from the standpoint of determining cotton policy in the United States the Russian situation has almost no significance.

The situation in China is in many respects like that in Russia. China normally imports more cotton than she exports. During the past ten years she has expanded her cotton acreage about 50 percent, or by more than two million acres. Beginning in 1923, the Chinese Government has increased the tariff on raw cotton on four different occasions, until now it is equivalent to about 2 cents a pound. As is the case in Russia and Brazil, it is a very definite concern of the Chinese Government to bring about an increase in the quantity and quality of Chinese cotton. The Japanese are also interested in the increase of Chinese production.

The demand for cotton since the World War has become more and more a part of general industrial activity. Everyone is familiar with the increasing use of cotton in the manufacture of automobile tires, elsewhere in automobile manufacture, and in many other industrial uses. Charts of industrial production and cotton consumption indicate that the two move together in remarkable uniformity. In view of the exceedingly low level of industrial activity throughout the entire world, beginning in 1930, it is not surprising that the demand for cotton should have fallen so drastically that prices were reduced to 5 cents a pound. If during the next five years industrial production throughout the entire world should return to the 1929 level, there would be an adequate demand not only for the customary 13 million bales from the United States, but also for the customary out-turn from

Egypt and India, as well as for the production of recently expanding newcomers such as Brazil. If industrial expansion should continue in Russia and China, it is quite likely that those countries not only would require their maximum possible production but would also make an endeavor to import cotton from outside.

## III

The cotton producers of the United States have always been more definitely underprivileged than any other large section of our population. The gross income from cotton for the average family even in 1929 amounted to only \$699 for the year. In the southeastern part of the cotton belt, in 1931 and 1932, hundreds of thousands of families had gross yearly incomes of less than a hundred dollars. The cotton families of the South have always produced about twice as many children as are necessary to maintain the farm population.

During the industrial boom of the late twenties, young people drifted north from the Southern farms by the hundreds of thousands. In like manner they drifted back again in 1930. In many cases Northern cities paid the railroad fare to get them back home and off their hands. But meantime the customary ties between the individual and his home locality had in all too many cases been broken. Thus during the early thirties there grew up an ever larger number of drifters and squatters who had formerly been in the share-tenant class and now were finding it difficult to do anything at all. In the rich delta lands of northeastern Arkansas, especially along the St. Francis river, these drifters and squatters were reinforced by the houseboat people who move up and down the Ohio and Mississippi, and who vary their hunting and trapping with a certain amount of day labor, woodchopping and other casual occupations.

The primary trouble in the South, of course, is that on a per capita basis the Southern farmer's share in the national income has been less than half that of the rest of the population. From the standpoint of social justice it would be a splendid thing to increase the income of the Southern farmers to a point where it would be comparable with that of other citizens. With the utmost possible speed the Roosevelt Administration endeavored to do this during 1933 and 1934. The income from each of the cotton crops of 1933 and 1934 averaged about twice what the income had been in 1932. From the standpoint of abstract justice, we really

ought to go farther in benefiting the Southern cotton farmers. But it now becomes apparent, in view of the world situation, that it may be impossible to go farther without dipping definitely and directly into the Federal treasury.

The fundamental object of the American control program has been to reduce the world carryover of American cotton, which was about 13 million bales on August 1, 1932, to 5 million bales by August 1, 1938. On August 1, 1935, it is estimated that the world carryover of American cotton will be somewhere in the neighborhood of  $8\frac{1}{2}$  million bales. It is undoubtedly true that the world carryover of American cotton would have been reduced somewhat more rapidly if it had not been for the loans made by the American Government. The 10 cent loan which began in November of 1933 and continued until August of 1934 probably did not interfere much with the exportation of American cotton, because during the period when it was in effect American cotton moved abroad at almost the normal rate. If the 10 cent loan had been continued after August 1934, instead of the 12 cent loan, no one can say whether American exports of cotton would have been materially larger. Germany undoubtedly would still have had many of her same difficulties in buying dollar exchange. The United States would still have been a creditor nation with a high tariff. The 12 cent cotton loan may, perhaps, have been too high from the standpoint of exports, but undoubtedly the primary difficulty was the inability of foreign nations to get dollar exchange. This difficulty might have resulted in small exports of American cotton even though the price had been as low as 5 cents a pound.

A price of 12 cents a pound for American cotton is exceedingly low. In terms of gold, 12 cents a pound in May of 1935 is only slightly above the low point in March of 1933. In terms of the average currency outside the United States, cotton at 12 cents a pound is only about 35 percent higher than it was in early 1933. In terms of American dollars, of course, cotton in May of 1935 was about twice as high as in early 1933. Relative to prices of other products which move in world trade, cotton at 12 cents a pound does not seem unduly out of line.

Our cotton control operations in the United States have not in any sense been foolish in the way that the Stevenson Rubber Control plan was foolish. It will be remembered that in 1921 rubber was selling for about 14 cents a pound, whereas the rubber

producers in the East Indies figured that the cost of production was about 25 cents a pound. Partly as a result of the Stevenson Rubber Control, and partly no doubt for other reasons, the price moved up until in November of 1925 it had reached \$1.20 a pound. There was then great expansion, and partly as a result of this expansion and partly as a result of the depression, the price fell until in 1932 it was 4 cents a pound. Because of the parity concept of the Agricultural Adjustment Act there is no likelihood, unless the weather for several seasons is particularly disastrous, of American cotton prices reaching abnormally higher levels at any time in the next few years.

The American cotton control has been financed since August 1, 1933, by a processing tax of 4.2 cents a pound on all cotton manufactured in the United States. This means that since that date the American consumer has in effect paid the American cotton producer an average of from 15 to 16 cents a pound for cotton. The American consumer during this period has paid almost exactly the same percentage of his total cost of living expenditures to the cotton farmer for cotton as he did during the five pre-war years. A price of 16 cents a pound represents a return of about 14 cents an hour to the farmer for his labor, whereas 12 cents a pound means a return of about 10 cents an hour. The cotton farmer can have the satisfaction of knowing that he has not done an injustice to the American cotton consumer. With the cost of other things what it is in the United States today, 16 cents a pound for cotton is not too high. Incidentally, it generally is easier for the mills to pay 11.8 cents a pound cash for the cotton plus the 4.2 cents processing tax than it is to pay 16 cents cash. The processing tax is not paid at the same time the cotton is purchased. Therefore, the processing tax system makes the procedure a little bit like installment buying.

It might also be said in passing that cotton textiles imported into the United States not only pay the regular tariff but also in addition a special tariff equivalent to the processing tax. The following table gives, in cents, the amount of the processing tax and the tariff on several different types of cotton goods:

	<i>Processing tax in cents, per lb.</i>	<i>Tariff in cents, per lb.</i>
Men's cotton shirts .....	3.1	43
Hose and half hose .....	0.7	4
Tire fabric .....	4.8	10.5
Cotton towels (not figured) .....	1.1	3.5



While the foregoing items are not imported in significant volume, the ratio of the processing tax to the tariff on cotton cloth that does come in indicates that the tax is considerably smaller than the tariff which is collected.

Farmers of the United States are coming more and more to look on the processing tax as their tariff. They realize that if the United States were not a creditor nation with a high tariff there would be no necessity to have a processing tax. They would be glad to give up their processing tax if the industries of the United States would give up their tariff; but in view of the fact that the tariff has been the most substantial single item in destroying the foreign market for the product of some 50 million acres of farm land, farmers naturally wish to utilize the processing tax to enable them to adjust their production to meet the changed world situation.

#### IV

It is exceedingly difficult for the people of the United States to realize that they are no longer a pioneer debtor nation. A high tariff does a pioneer debtor nation very little harm. As a matter of fact such a nation may require a high tariff in order to make sure that there will be a sufficient excess of exports over imports to pay the interest on the money which is owed abroad. As a pioneer debtor nation, the United States was well warranted in placing heavy emphasis on cotton, which was its biggest single export. But since the World War the United States has been a mature creditor nation, though it has kept to the habits of a pioneer debtor nation.

The conflict between habits and the facts has been soul-wrenching for the American people. Those who profess to be 100 percent American in their attitude insist that there shall be no increase in the imports into the United States and that all goods should be carried as nearly as possible in American bottoms and that American tourists should stay at home as much as possible. The pioneer prejudices of the American people would if carried to their most complete expression completely destroy foreign purchasing power, and hence the foreign market for American cotton. Strangely enough, the same pioneer prejudice which tends to destroy the foreign market for American cotton is also strenuously against the use of the centralizing power of government to enable the farmers of the United States to adjust their cotton

acreage to the resulting loss in exports. Typical so-called 100 percent Americanism, therefore, tends to insist that American farmers shall produce to the limit for a market that doesn't exist. Such a procedure, of course, would mean a return to 5 cent cotton, 40 cent wheat, 10 cent corn and \$2 hogs. American farmers will not stand for this.

For the greater part of the period since the World War the American people have been willing to lose billions of dollars in foreign loans badly placed rather than wake up to the fundamental realities. The United States has continually postponed a showdown in the international poker game by the simple procedure of buying more chips and fattening the pot. In 1934 the showdown was again postponed because the United States imported \$1,300,000,000 in gold. But today the Germans find it exceedingly difficult to buy American dollars because the United States buys only about a third as much from Germany as it did in 1929. Therefore, the Germans have bought only about a fourth as much of the American cotton crop this year as they customarily do. There is still plenty of American cotton available, considerably more, in fact, than during the twenties. The problem is not one of American cotton but of American dollars in the hands of those foreign nations which want cotton.

The situation will get worse rather than better unless the American people are willing to start loaning money again to foreign nations, or unless the foreign nations are willing and able to continue to send us large quantities of gold, or unless the United States is willing to accept greatly increased quantities of imports. There is no other way out. The showdown is coming, and cotton will typify the situation better than any other commodity because it is our greatest single export.

During the past six months in the United States a tremendous amount of effort has been put into working out some scheme to increase exports of cotton without increasing imports of foreign goods. The American people are strong believers in the sacredness of exports and the hellishness of imports. This is a type of scarcity economics which has always seemed completely respectable to that type of American who is completely horrified at the thought of plowing under cotton. Exporters, shippers, traders, railroad men and the whole group of people who profit by volume and are not hurt by low farm prices clamor insistently for increased cotton production. Many of them have come out in

favor of what is known as the "two-price system," or in other words, export dumping. Under this scheme, cotton might be sold in world trade for perhaps 8 cents a pound, and in domestic trade for 15 or 20 cents a pound. There would be no control of production and the ginner and all the rest of the people interested in volume would be completely happy. Incidentally, many of the foreign users of cotton would also be happy. They would again be able to buy American cotton at bargain prices. Some foreigners during the early part of this year have been arguing in a quiet way for an American program of this sort. It has been said that the break in cotton prices which took place in March was to some extent a result of the agitation for export dumping, which caused foreigners to think that they would be able to buy American cotton much more cheaply later on.

The strongest argument for export dumping is to prevent the undue expansion of cotton acreage in India and Brazil. Certain American financial interests are reported to have been active in furnishing capital to promote the expansion of the cotton business in several parts of the world during the past year. These gentlemen might discover that there are political laws of action and reaction which must be taken into account, as well as economic laws. But before the United States engages in an extensive program of subsidized exports of cotton, it is worth while to remember that a program of this sort might cost close to 300 million dollars a year. And there is a real question as to whether the benefit to the exporters, shippers, railroad men and new cotton producers is sufficient to warrant the increased expenditures. The cost of a controlled production program is only one-third to one-half as great. Moreover, we must keep in mind the probability that strongly subsidized exports would result in the gravest damage to India and Brazil, with inevitable repercussions on the United States. Strong retaliatory action would probably be taken by both India and Brazil, as well as by Great Britain.

In 1921, 1922 and 1923 the United States relinquished a considerable part of its hold on the world cotton trade as a result of the boll weevil depredations. Nevertheless it was able to come back in a most vigorous manner in the years from 1925 to 1929. Uncertain or mistaken policy in the next year or two need not therefore be altogether fatal to the future of the American world cotton trade. If we really believe it is a fundamental part of American policy to export, one year after another, our customary 8 million

bales of cotton, it would seem to be wise to adopt a policy which will enable us to sell cotton at a price as low as 10 cents a pound on the world market if necessary. Some people think we do not need to go that low. Many people believe, however, that a price above 10 cents a pound will tend to bring about a substitution of considerable quantities of Brazilian and Indian cotton for American cotton. Other observers believe that no matter how low the American cotton is priced, the shift will take place to Indian and Brazilian cotton simply because the United States is a creditor nation with a high tariff, and that therefore there is practically nothing which the United States can do, short of giving her cotton away, which will restore the customary foreign demand for 8 million bales annually.

The fundamental aim of the United States Government with regard to cotton has been first of all to cut the carryover to normal proportions. It is hoped that the plans now in prospect will result in a carryover of American cotton on August 1, 1936, of about 7½ million bales, or 5 million bales less than that of August 1, 1932. The second objective is to hold the price at a point which, with benefit payments added in, will result in a fair return to the domestic producer while not unduly interfering with the movement of cotton into world trade. The program thus far has worked unusually well, but the difficult time is now approaching, not because of any particular shortcomings in the cotton program itself, but because of the fact that the United States is a creditor nation with a high tariff psychology and a belief that it can hold on to a large volume of exports in spite of high tariffs and its creditor position. This psychological factor, which is utterly at variance with reality, has provoked a profound national neurosis and, following the neurosis, internal physical disorders which reduce the nation's ordinary immunity to the shallow political quackery and demagoguery of men who presumably know better. Looking toward the future, the United States must make an effort to understand the necessity of a continuing adjustment between the needs of its export industries and the development of increased imports.

# NATIONAL SOCIALISM: THEORY AND PRACTICE

*By Dorothy Thompson*

KONRAD HEIDEN says that National Socialism is a union of causes rather than aims,<sup>1</sup> and certainly the present form of government in Germany is unimaginable without the history of the last twenty years. The Great War immensely furthered the popular sense of unity, and augmented German national consciousness. Versailles created in the midst of Europe a nation with an acute sense of grievance. The early attempts to enforce the Treaty without modification resulted in the inflation, which had serious social and eventually political consequences, for it impoverished the middle classes and accelerated the concentration of capital. The second period of attempted fulfillment, plus rapid industrial reconstruction with borrowed money, resulted in a huge public and private indebtedness, largely to outside banks, and eventually slumped into the depression.

All of these things together created a revolutionary situation which in 1929 was obvious to the blindest observers. Furthermore, the revolution was ripe along many fronts. The German Republic had occurred, historically, about sixty years too late. It set up a parliamentary democracy at a time when liberal democracy was being challenged in its historic strongholds, and the new state was without élan from the beginning. To no single group in Germany — unless for a time to some of the industrialists — did it unqualifiedly represent a desirable ultimate form of state. The largest single party, the Social Democrats, who represented the organized workers and part of the intellectuals, and were the Republic's strongest supporters, looked forward to a socialist commonwealth, and realized that they were continually compromising; while the old feudal classes sabotaged the Republic from the beginning. Saddled at the outset with crushing defeat at Versailles, it was associated in the popular mind with misery and humiliation. From being a result of the lost war, it came to be regarded as the cause of the lost war. Liberalism became synonymous with defeatism, and parliamentarism with weakness and disorganization.

The German Republic, too, was forced — or so it thought — to present a mien of misery for the benefit of the outside world as

<sup>1</sup> Konrad Heiden: "A History of National Socialism," New York, Knopf, 1935.

long as there were reparations to pay. Objective foreign observers were always convinced that these complaints were exaggerated. The progress in rebuilding Germany under the Republic was prodigious. Professor Angell<sup>2</sup> has called it one of the miracles of history. But reconstruction was not propagandized. The *Europa* was not launched with demonstrations of joy; the remarkable civil aviation service was not sold to the German people as evidence of recovery. Any foreign journalist who reported that Germany was rapidly overtaking the rest of Europe in technical development was regarded as anti-German.

Long after the rest of the world, under the influence of such dispassionate historians as Professor Gooch and Professor Fay, had concluded that responsibility for the war was pretty generally distributed, Germans themselves were still buried in morose broodings over the War Guilt Lie. A genuine national grievance gradually was exaggerated beyond all reality into an *idée fixe*, and became the outstanding characteristic of the German mind. It tended eventually to encompass all other grievances. To bring this about all parties coöperated, even the communists, who were amongst the first to call Germany a coolie of foreign imperialism. Hitler took over this argument bodily and urged his audiences: "Free yourselves from International Finance! Only when Germany is strong again will you be free!"

The German capitalists, of course, were not averse to having anti-capitalistic tendencies diverted abroad, especially as internal tensions were increasing. Wartime economic development plus the inflation had accelerated the natural tendency of capitalism towards concentration of ownership and control, and the workers, most of whom were Social Democrats, accepting the Marxian doctrine of historic inevitability, did not use their power to hamper this tendency. Meanwhile they protected themselves against it by strong trades union organizations, and a mighty political party. It thus came about that German economic life was run largely by a combination of big business and trades unions, between which upper and nether millstones the unorganized workers, small business men, white collar men, the *rentier* class and later the unemployed, were gradually choked. The inflation accelerated the process by destroying the savings of the small business man and leaving him without resources of credit, and the rapid rationalization of big industry, while it brought about a phenomenal re-

<sup>2</sup> James W. Angell: "The Recovery of Germany," Yale University Press, 1929.



building of the production machinery, created technological unemployment and put industry itself in debt to the banks, domestic and foreign. The depression gave the *coup* to the whole development. A great new class had been created: the class of the unemployed worker, whose social insurances gradually depreciated into a miserable dole, the broken small capitalist, the civil servant who was taking one pay cut after another, the indebted peasants, and finally, the whole youth for whom no future was in sight. It was this group, of diverse elements, which the Nazi movement was to make the fulcrum of its revolution.

This class looked for salvation, not to the power of ownership nor yet to the power of economic pressure through organization, but directly to the state.

The conquest of the state was the more important because it was rapidly becoming the holding company for the whole economic system, due to the fact that economic *losses* were being socialized as rapidly as possible by all groups powerful enough to lever something out of the government. For the working classes, not the insurances but the budget became the chief source of social ameliorization as the insurance funds were exhausted by abnormal demands. By 1932 more than fifty percent of the German banks had been salvaged by the government. The state had been forced under political pressure to save the estates of the great landowners from their creditors. By 1933 a serious crisis had occurred amongst the heavy industrialists. The first outward sign had come earlier, under the Brüning government, in the case of Friedrich Flick. Flick was the actual owner of the largest heavy industry in western Germany (United Steel), and finding himself in difficulties had threatened to unload a huge block of shares to the French. To prevent this, the Brüning government, which by no stretch of imagination could be called socialistic, had intervened by government purchase, the state thus becoming the owner of one of the largest mining concerns in Germany, while the directors carried on as before. For exhausted capitalists this was a kind of socialism they could understand!

## II. HITLER'S ECONOMICS

Although it was the economic situation which caused the growth of Hitler's movement, Hitler himself appears to have had little interest in economic factors. Ideologically, the National Socialist movement is the child of the *Völkische Bewegung* (liter-

ally, folk movement) and the Fatherland Societies, and it got its first real leg-up (and its last) from the German Reichswehr. The Reichswehr, like most armies, was divorced from economic life, and the Folk Movement did not think in economic terms. The most amazing thing about Hitler's "My Battle"<sup>3</sup> is the almost total absence from its pages of any consideration of the economic structure of society.

Not Hitler, but the Munich engineer, Gottfried Feder, formulated the first economic platform of the National Socialist Party. Hitler's personal utterances often seem at variance with this program, which advocates limited state capitalism, whereas Hitler often expressed himself for *laissez-faire*.

Hitler's deficiency in economic analysis is doubtless largely due to his obsession with the Jewish question, which cut clear across his economic thinking. Very early in his political career he had come upon Rudolph Jung, leader of the Bohemian National Socialists, and it appears that it was largely from Jung — who was otherwise more radical than Hitler — that he got his conception of the economic rôle of the Jews. Jung insisted that the internationalism of socialism and capitalism were both due to Jewish leadership, and that the evils of both were in the Jewish cast of economic thinking, both of workers and employers. To Hitler the implications were apparently simple: get rid of the Jews, and you get rid of "bad" capitalism as well as "bad" socialism.

Feder did not see the matter quite so simply. He saw, at least, that Finance Capitalism could not be dismissed merely by calling it Jewish. He made a fine distinction between *raffendes* (exploitive) and *schaffendes* (creative) capital. Feder's attacks were launched against the German Wall Street. He it was who created a radical economic platform for the small business man, a sort of German version of American populism.

The clearest exposition of the economic aims of National Socialism is contained in a pamphlet issued as a speakers' manual for the July 1932 elections, and called "Immediate Economic Demands of the N.S.D.A.P." It deals with both general aims and specific plans, the latter largely confined to work-creation programs to combat unemployment. It asserts as a fundamental principle that labor, not capital, is the source of all wealth, demands the immediate nationalization of banks and all monop-

<sup>3</sup> "Mein Kampf" (Munich: Eher, 1925-1927, 2 v.) has been abridged and amended for the American market ("My Battle," Boston: Houghton, Mifflin, 1933).

listic industries and trusts, immediate departure from the gold standard, government credit expansion, dissolution of department and chain stores, the increase of small land-holdings, and an immense program of government housing. Minimum immediate demand: 400,000 workers' homes with sufficient land for agricultural production. It demands complete state control of foreign exchange, autarchy (except for basically necessary imports not obtainable at home), and the absorption of the export slack in a richer home market. It admits the impossibility of this except as the worker receives an "adequate wage for his toil."

This is state capitalism, which, as such, had few disinterested opponents in Germany. As we have seen, Junkers, bankers, industrialists and workers had all been pushed towards state capitalism by the necessities of their systems. The issue was not whether there would be state capitalism, but what social groups would control it and in whose interests it would be administered. The National Socialist program, although it repeatedly denounced the class struggle, clearly was concerned with the interests of the smaller business man and the German worker. It openly admitted a maldistribution of wealth, and proposed its redistribution. So much for Nazi economic theory.

### III. THE "FOLK" IDEA

But the fundamental ideology of National Socialism was not economic at all. The folk movement, out of which it grew, had its conscious origins in the latter part of the nineteenth century, and among its spiritual fathers were Nietzsche, Paul Lagarde, Houston Stewart Chamberlain, Gobineau, and Richard Wagner. The teachings of these men had had a considerable influence in the high schools and universities just before the war, and were reflected in numerous political movements and societies. The folk movement put the main emphasis upon race. If for Napoleon politics were Destiny, and for Walter Rathenau economics were Destiny, for the adherents of the folk movement race was Destiny.

This movement set itself clearly against the economic interpretation of history, which according to its theorists is a biological process, emerging from the struggle between races, and civilizations have been built by the conquest of inferior by superior peoples. The decline of western power, they taught, was due to biological degeneration, due to intermarriage between superior

and inferior peoples (Jews!); to humanitarianism, which kept alive the unfit; to untrammelled industrialism, which had drawn the race away from the source of all its strength, the soil; and to the enfeebling effects of pacifism. These theorists divided the peoples of Europe into various races and took account of their physical and mental characteristics. The aristocrats amongst Alpines, Mediterraneans, Dinarics, East Baltics, and Jews (who according to Nazi anthropology are not a race at all but a parasite nation) were the Nordics. The original Teutons had been Nordics; the stock had declined, and with it the characteristic Nordic mentality and genius. Finally, most of the world had become enslaved to social forms designed by an alien people — the Jews. To free the Germans from alien domination and forms, to rehabilitate the German race, and to make a society expressive of essential historic racial characteristics was the aim of the folk movement and is still the avowed aim of the Nazi Party. It has expressed itself in rules for certain classes (S.S. men, for instance) who are forbidden to marry Jews and whose brides are subject to eugenic inspection; and in laws for the sterilization of criminals and the congenitally unfit.

The folk movement was anti-Semitic, anti-industrial, unworldly, anti-clerical, anti-cosmopolitan, and strongly nationalistic. In its more idealistic form it influenced the Youth movement, with its anti-industrialism and a picture of the coming superman; in its more common form it was the primitive anti-Semitism of the peasant toward the Jewish village storekeeper, to whom he was often in debt. It always had its mass following chiefly amongst students and among the less urban, but it was the half-instinctive background of a great deal of hundred-percent Germanism. Its leaders denounced both liberal democracy and Marxianism on the ground that they represented "Jewish" materialism; but actually the Folk movement is in itself — as the Christian church was quick to observe — highly materialistic, since it makes *Geist*, mind and spirit, purely biological by-products.

In the chaos immediately following the war numerous political groups dominated by the Folk idea emerged. Most important amongst them were many semi-military free-booters' organizations, subsidized in part, and secretly, by the Reichswehr. It was Hitler's first great political strategy to obtain the leadership of these groups and fuse them into a single movement, and eventually into a powerful political party. The process took him years.

## IV. FOLK IDEAS AND FOREIGN POLICY

If the engineer, Gottfried Feder, was the parent of Nazi economics, Hitler himself, Alfred Rosenberg, the Baltic journalist, and Professor Hans F. K. Guenther, the anthropologist, were the chief apologists of Nazi racialism. Rosenberg's rôle was portentous, because he built Folk ideas into a substructure for Nazi foreign policy. Today he is the Party's "director for German Intellectual and Philosophical Enlightenment," leader of the Party's foreign office and editor of the most powerful party journal, the *Völkische Beobachter*. He was known to be Hitler's choice for Foreign Minister.

Rosenberg, who comes from Estonia, and was officially Russian during the war, is in his foreign policy rather more White Russian than German. He was chiefly responsible for seizing on the racist idea as another basis for an anti-Russian policy. According to Rosenberg and Hitler,<sup>4</sup> Russian communism represents the conquest of Europe by Asia. The elements of population destroyed by Russian communism — bourgeoisie and aristocracy — were the European, or Germanic, elements. Communism is the triumph of Jew, Mongol, and Tartar. The destruction of Bolshevism is therefore a mission not in behalf of capitalism, believed by the Nazis to be in its dotage, but for the whole White Race. Inside his premise Rosenberg argues quite logically. If history is a struggle between races, with destiny on the side of the Nordics, then Germany must seek allies amongst those countries which most closely approximate the race ideal, and Rosenberg envisages a great German-Scandinavian-Dutch-British alliance, in a movement which will eventually drive Russia back into Asia and "liberate" the Ukraine to become a granary for Germany. Neither Rosenberg nor Hitler ever proposed an "aggressive" war against Russia. Their wish-dream is that Russia will become involved either in international difficulties (war with Japan) or internal troubles, which will furnish an excuse for "intervention" in the manner of the United States in Central America or of Japan in China.

An alliance with Britain is the most important premise in Rosenberg's program. France is rejected on racist grounds, because she "had brought the negro to the Rhine." Imperialism in the usual sense of the word is also rejected, both because colonies

<sup>4</sup> See "My Battle."

abroad would probably endanger the future British alliance and because settlements of people in far-off lands dilute racial energies and pollute pure racial blood. Rosenberg's and Hitler's imperialism is of the Manchukuo variety. Hitler draws a distinction between "financial imperialism," for capitalistic exploitation, and "room expansion," the object of which is land colonization and to find a vent for creative energies. Nazi literature, like Japanese, is full of complaints at the injustice of a nation of sixty-five millions being bottled in a small territory, while Britain, France, and even Holland rule empires. This condition can, according to Hitler, be corrected only by some sort of expansion in contiguous territories, the first step being to unite all Germans within the Reich. This then immensely powerful nation, pressing out on all frontiers, can either conquer or dominate the rest of Central and Eastern Europe.

Hitler maintains, and not without some justice, that the domination of the small Eastern European countries by France amounts to financial vassalage and that it has no basis in the real economic interests of these countries, whose business and culture link them rather to Germany. Austrian independence, he is wont to assert, is a misnomer, because it rests upon French loans and Italian bayonets. Yugoslavia, Rumania and Hungary have more to expect from a powerful Germany than from France. About Czechoslovakia less is said publicly, but privately the Nazis predict its certain doom. A nation of 14,000,000, over 3,000,000 of them Germans, besides half a million Magyars and a large block of Ruthenians (Little Russians), could not hope to continue its existence surrounded by renaissant Germany linked to Hungary and allied to an independent Ukraine. Its fate would be Poland's under Frederick the Great.

The weapon with which Nazi theorists hoped to accomplish this end was revolution. In the smaller countries the Nazis envisaged German minorities, organized into powerful Nazi cells, springing open the state from within, under the revolutionary cry: "National Socialism and Freedom from International Financial Domination." The addition of Austria to Germany would bring the revolution to the doors of Hungary, whose present premier, Julius Gömbös, is a former leader of the Awakening Hungarians, and whose soil has been well prepared for Nazi ideas. The anti-French element is strong in Yugoslavia and was certainly one of the factors indirectly connected with the assassination of King



Alexander. The Iron Guard organization in Rumania is strong and has all along been in touch with the Nazis.

Essential to the success of this program, however, would be a Germany militarily strong enough to risk warfare. She would call it *defensive* warfare — that is to say, defense of what she considers a perfectly legitimate program to be achieved by revolutionary means. Germany's conception of equality is the power to secure domination in Central and Eastern Europe as France secured hers: by economic and financial pressure backed by military power, with the difference that in one case the military power was put at the disposal of the various governments concerned while in the other it would be used to force those governments into line.

This Nazi policy does not greatly differ from those of previous governments. Under the Nazis it becomes more immediate, because it is supported by a social-revolutionary program and open and speedy armament on a vast scale. Hitler does not consider it incompatible with peaceful protestations. Leave him alone, he thinks, and he can carry it out without war. That is all.

#### V. GERMANY AS A WAR-TIME ECONOMY

The two outstanding characteristics of the German mind since the war have been, first, a sense of national grievance, and second, a declining faith among all classes in liberal capitalism. National Socialism fused the two in the conception of Germany as a "coolie" nation, exploited like any colony, by foreign financial imperialism and military power. It made the liberation of the German nation synonymous with social liberation. Its historic rôle was to put German social radicalism behind German militarism, to hail German militarism as the means of achieving a new society.

The form of state bound to emerge under these circumstances was precisely what has emerged, a war-time economy. The German social revolution has become crystallized in full swing at a certain point: it is held in suspension by a program directed outwards. Internal economic revolution has not been achieved but postponed, and the German people are being prepared to fight for it before it exists.

The form which the revolution took is the key to what its essence really is. The Nazi revolutionaries fought for complete control of the state. Many of them looked forward to genuine revolution — to quote John Chamberlain's excellent definition, change in

structure and aim. Actually what has been built up by Hitler is not a Nazi revolutionary state but the totalitarian state, which is not the same thing. The most consistent Nazi revolutionaries knew this, hence all the talk of the second revolution and the actual Thermidor of June 30, 1934, when the idea was scotched by a preventive massacre. The technique used by Hitler has not been re-organization but *gleichschaltung*: coördination, the switching of everything into line, with change in direction and control determined, not according to any revolutionary principle, but entirely personally and pragmatically. In fact, the form of social and economic organization prevailing in Germany under the name of National Socialism is one so familiar that only the incongruity of the absence of actual armed hostilities prevents its being recognized immediately for what it is: the characteristic organization of a country in a state of war. It has complete centralization of authority. This extends to control over economic life and public opinion; strictures on capital and labor inside an enforced social truce; cultivation of like-mindedness by propaganda, and enforcement of it by ruthless terror; elimination of "questionable" elements; internal espionage and death sentences for forms of espionage usually treated lightly in peace times; glorification of sacrifice and heroism as prime virtues; relegation of culture to a secondary place; mass worship of youth; militarization of religion; organized inspirationalism; conception of world mission; civil dictatorship in the interests of a military machine. These are the characteristics of any social economy in time of war, and these are the characteristics of National Socialism in practice.

That a prodigious social effort of this sort, directed outwards, is accompanied by an intensification of national emotion and sense of purpose, and releases not only disgusting brutality but also reserves of personal heroism and social idealism, is also characteristic of all nations at war. Psychologically speaking, war is the intensification of the erotic instinct in the service of death, and perhaps this is what Hermann Roechling, the Saar industrialist, meant when he said: "National Socialism is founded on love."

Although it seems natural that Nazi policy, by its emphasis upon subjection to outside imperialism, and consequently upon militarism as the clue to the internal social problem, should have taken this line of development, this dénouement was certainly not foreseen by the masses of people who supported it. If they had, they would have realized that the "immediate eco-

nomic aims" were unrealizable. A nation preparing to throw off a foreign yoke does not begin by disorganizing its key industries by revolutionary measures. The chief concern of the National Socialist state is not, to be sure, production for profit, but neither is it production to raise the living standard of the masses. Its chief concern is production for war.

The great monopolies, trusts, and banks, whose nationalization was a fundamental of the Nazi program, have not been nationalized. On the other hand, complete state control of foreign exchange, and therefore of foreign trade, has been put into effect and profoundly affects the conduct of industry. But this kind of nationalization has changed neither the ownership or direction of trusts; it has merely become the control exercised by the chief customer, the state, or better said, the army. As chief customer, the state does to a degree dictate prices, but that it permits profits is illustrated not only by the rise in the quotations of the shares of heavy industry, but by a new law whereby trustified industries are compelled to invest all profits over six percent in government bonds. By this process the state, having refinanced the corporations as creditor and customer, will eventually become their debtor. What the tax-payers are getting for their money and credit is neither increased buying power in the form of higher wages, nor cheaper kitchen stoves, bathtubs and houses, but airplanes, tanks, and artillery. They are, to be sure, getting cheaper automobiles — and every man who buys one is immediately enrolled in a motor transport corps.

Immense state interference in industry has occurred. Some solvent businesses have become indebted because of state decrees that they must change from the producing of this to the producing of that.<sup>5</sup> Export industries have suffered a shortage of raw materials because available foreign exchange has been accredited chiefly to the industries producing munitions. But this interference has occurred, not for social but for military considerations. The tendency has not been to dissolve the trusts but to increase their range; and in view of the lack of a real social guiding principle, those concerns and individuals have come off best which have been able to bring pressure on the government, either through personal connections or party contributions.

<sup>5</sup> For instance, the well-organized brown coal industry, which was forced to reorganize and equip itself for making oil out of coal under the Bergius process and was then attached to the Leuna works of the powerful I. G. Farben Industry, the chemical trust.

One need only examine the history of the attempts to "coördinate" the employers' organizations and compare them with the fate of the middle class and workers' organizations to see where the real power lies. In the days immediately following the Nazi election success in March 1933, some attempt was made by the Nazis to usher in the corporate state. Dr. Robert Ley conceived of the new state as resting upon labor and attempted to capture the trades unions. Dr. Rentelen, a former Youth Leader, wished to assure chief power to the Chambers of Commerce, once he had captured them from within for the Nazi middle-class organization called the "Fighting Front of Industrial Middle Classes." At the same time Dr. Otto Wagener, who had become Hitler's chief economic adviser, set about coördinating the Employers' Organizations, and putting them under Nazi control. Whereas Rentelen and Ley both succeeded in dominating the groups they set out to subject, Wagener's endeavors ended in such fiasco that he was removed from his post and several of his collaborators were removed to concentration camps.

Originally both the Trades Unions and the employers' organizations reserved their attitudes towards the new government until they could see what it intended to do. Dr. Wagener replied to the coolness of the employers' organizations by demanding the resignation of many members of the boards, these to be replaced by loyal Nazis of his own choosing. Protests to the government were immediate, energetic and successful. The employers' associations did, to be sure, switch into line, but they switched in their own way, under their own leadership, and according to their own interpretation of what the line was. The first government movement against the great trusts ended with one of the great industrialists as dictator of the whole of Western German industry.

The Nazi organization, "Fighting Front of Industrial Middle Classes," organized in 1932 as the instrument to effect middle class liberation, did capture control of the Chambers of Commerce, but Hitler promptly abandoned the idea of the corporate state, and later Dr. Ley of the Labor Front dissolved the organization.

The capture of the Trades Unions was the single bold revolutionary movement launched by the Party against a powerful economic group. The action of the Storm Troopers in occupying the Trades Union headquarters, in confiscating their funds and

dissolving their executives, was pure revolution undertaken after attempts to capture the leadership, by the medium of Nazi cells within the various unions, had failed. But the unions originally promised exactly as much coöperation with the Nazi state as the employers had offered. They were prepared to coöperate with the government on the same terms which the employers actually obtained.<sup>6</sup> Nevertheless, they were taken over, completely reorganized, castrated, and made, not a function of government, but an appendage of the Nazi Party.

Actually, many of the more enterprising Nazi cell leaders in the unions were sent to concentration camps; Ley's dreams of making the unions the base for a state edifice failed; and the real power passed to "Trustees of Labor" appointed by the Chancellor to "protect" the interests of the workers according to standards determined by the state in collaboration with Big Industry. What this amounts to is industrial feudalism as benevolent as is compatible with the aim of building a huge army, supporting a tremendous bureaucracy,<sup>7</sup> and protecting the profit system. What conquests of capitalistic enterprises have been made — for instance, of the great Jewish publishing houses, Ullstein and Mosse — have not been made for the benefit of German workers. And it needed only the threat of liquidation from the strongest Jewish banking house in Germany to obtain a hands-off policy.

#### VI. REORGANIZATION OF AGRICULTURE

In the reorganization of agriculture there is perhaps less disparity between Nazi theory and practice. At any rate, agriculture has come under a far more rigorous state control than industry. The "Immediate Aims" asserted that the small-holding was the basis of Nazi agricultural economy and demanded that it be favored at the expense, if necessary, of the great estates. Agriculture was to be protected by import prohibitions, and the industrial worker, too, was to become part of the productive system by settling him in state-constructed homes with large gardens. There was to be a radical reduction of interest rates to farm borrowers, and land was to be confiscated without compensation for communal purposes.

<sup>6</sup> Cf. speech of Theodor Leipart, President of the Independent Trades Unions, April 7, 1933, in which he offered collaboration with the Nazi government "in the great aim of setting the external and internal liberty of the German People upon the foundation of the nation's productive forces."

<sup>7</sup> Note that in addition to the state bureaucracy Germany must support today "by voluntary contribution" a party machinery which duplicates the state system.

In 1928 Hitler had added a footnote to the paragraph in the Nazi program recommending confiscation of land, and defined it as legal measures to be taken for the recovery of land unjustly acquired or administered in a manner incompatible with the welfare of the people. The measure, he added, was chiefly directed against speculative Jewish real estate corporations. This drew the teeth in the original program, but it was considered necessary before Hitler came into power, and under governments theoretically less peasant-minded than Hitler's (those of Brüning and Schleicher), to cease holding intact the great estates of Eastern Germany through government subsidies. Under Hitler, the estates have not been broken up, but have been supplied with Nazi youths in the place of former Polish laborers. The attempts of Walter Darré as head of the Nazi Agricultural Association to reduce rates of interest on farm loans to two percent encountered opposition from Reichsbank President Dr. Schacht, and from the first Minister for Economics under Hitler, Dr. Schmitt. Dr. Hugenberg, who was the first Minister for Agriculture under Hitler, tried to increase agricultural prices but found it more difficult than he expected. When he was succeeded by the more radical Walter Darré, the government moved towards complete dictatorship of prices, acreage, and crops. Darré hoped that the great estates would release land for settlement; but, salvaged by Hugenberg, they took a new lease on life, and actually there has been very little land on the market.

Darré's chief interests are not economic but racial. He is a leading Nazi eugenicist and author of the idea that all German women should be divided into categories for breeding purposes. He finds the land to be the chief source of racial strength and believes peasants must stay on the soil whether they want to or not. He is the author of the most radical measure which Germany has yet taken: the so-called Hereditary Farms Act, under which old established peasant holdings are entailed to the oldest son for ever and ever, and cannot be mortgaged, sold or transferred. This, of course, breaks the servitude to interest of the peasant, by destroying his credit. In 1934 Gottfried Feder, the original Nazi economist, who was soon to be removed from the Ministry of Economics, where his ideas were considered too radical, was put in charge of the German colonization program, to carry out the promised settlement of industrial workers in homes and upon land of their own. In the 1935 edition of the National Socialist



Annual he is still rosy in prediction but empty of accomplishment. The 400,000 homes seen as an "immediate" undertaking have not been begun.

The reason is implicit in Hitler's philosophy. It is a basis of his whole theory that Germany does not possess sufficient land and soil for the needs of her population. She must acquire it. The army comes first.

#### VII. ENTHUSIASM FOR POVERTY

For those who believe that the economic motive alone moves masses of men, it would apparently follow that discontent would be widespread and disillusionment profound. But on the contrary, one is forced to admit that Hitler enjoys phenomenal mass support. There *is* disillusionment, deep, bitter, and by no means confined to socialists, communists, and Jews, the treatment of whom has been a world scandal. There is many a Nazi who today nurses an outraged heart, and such opposition as there is has come most vigorously from conservatives. It *is* true that the régime operates by propaganda and is backed by ruthless terror. It *is* true that there is discontent amongst the workers. It *is* true that the various plebiscites with their ninety-percent majorities do not fairly gauge public opinion. Even the great victory in the Saar does not prove all that the Nazis claim. It merely proves that Saar Germans wished to join Germany — even Nazi Germany. Nevertheless, it is equally true that the enthusiasm is only partially forced; that the conditions are on the whole accepted, the propaganda believed, and the terror — except when it hits close home — ignored. The reasons are not economic. They are emotional and psychological.

Actually, the standard of living of the average employed individual is falling in Nazi Germany, as it has fallen in Fascist Italy. The Nazi work program, in practice, substitutes for the right to support the duty to work, and divides what work there is. Industries employ two men where one would do, and the two divide the former wage of one. That this is true is borne out by a comparison of re-employment figures with the total increase in the wage bill. The process does not add to industrial efficiency and it does not add to total buying power. The thousands in concentration camps, the other thousands ousted from jobs for political or racial reasons, the thousands who have left Germany, and the thousands of women sent home, are not counted as

unemployed. The Voluntary Work Service (no longer voluntary) is not conceived essentially as a re-employment program, but rather as a regular service of youth to the state, but it has taken up thousands formerly on the dole. The German worker today is building roads and draining swamps, drilling as a soldier, adding to the means of production as well as to the actual production of the nation, but his share in the profits of the whole business is relatively small. The boom in consumption is in the upper categories of incomes.

But the Nazi state has ameliorated the pains of poverty, as communism in Russia has ameliorated them, by removing from poverty the stigma of inferiority, by giving to it a sense of purpose, and by holding out the hope of a glorious future. Although it has not created the classless state, which is its claim, it has done much to create the appearance of the classless state, and in this has shown much more shrewdness and imagination than its democratic predecessors. It has abolished "entrances for gentry only," and lately proposed the prohibition of aristocratic titles. It has certainly elevated common boors to high positions. It has not democratized income but it has enormously democratized culture. It denies the ideal of "equality," but its standards of aristocracy are attainable by the masses, since to be one of the "élite" in the new state one needs only to possess health, what is supposed to be a typically German build and cast of countenance, and the virtues of the common soldier.

It has shut the masses out of control, but it has enormously increased their sense of participation. They do not vote — except for Nazis — but they parade. They are marshalled out as Peasants or Workmen or Owners of Garden Colonies, each group in its own uniform, with its own flags, singing its own songs, and upon each group it is impressed that the future of the nation rests in its collective hands. A special emotional value is attached to every walk of life. To be young is to belong to Youth; to be a girl is to be born into German Womanhood. National Socialism substitutes for Having the sense of Belonging — the excitement of common participation in a unique experience, which is the single emotional compensation which war offers in exchange for its horrors.

It is a tremendous error to underestimate these psychological and emotional factors. The German Republic underestimated them. This was its greatest failure, that it did not create a national

myth for a people peculiarly susceptible to myths and very much in need of one.

Under these conditions, and for the time being, it is not the German masses — with the exception of the thinking ones — that are finding Germany a hell. Those who suffer are the most highly individualized, the sensitive, the differentiated, the analytical, the discriminating, the fastidious, the spiritually heroic: those who are not of the herd. Precisely those who suffer in war.

If National Socialism is really a war-time economy, foreign policy becomes the Achilles heel of the whole system. For the building of the military machine no sacrifice has been too hard for the German people, suffering under a sense of national inferiority, national grievance, and fear. But what will happen when military inferiority quite plainly no longer exists? That moment is approaching. It is nearly here. Hitler counts that the acquisition of military power will be accompanied by diplomatic prestige and success. But suppose the opposite happens? Suppose a powerful Germany incites more fear than she attracts admiration? At present this seems to be the case. Does Hitler (is he not already a prisoner of the army?) intend to go on building up a huge military machine, at the price of cumulative impoverishment, until he can fight all Europe? How much strain can heroism stand? And how long will military morale hold if there is no enemy?

The whole system as it at present exists is built upon the presumption of an enemy. Yet there stands the plain fact: if Germany does not undertake territorial aggrandizement, she has no enemy in the whole world.

It remains to be seen whether a system of economy good for waging war is, in the long run, good for anything else, or whether heroic endurance can exist for its own sake. The present system will not, because it cannot, rehabilitate the middle class and the small entrepreneur. So far the result of National Socialism has been to carry forward the levelling process between the middle class and the workers, by blotting out the only difference which really remained — a psychological one. It therefore seems likely that if war is indefinitely postponed, while German imperialism is stalemated by the collective (even though passive) resistance of a united Europe, and if National Socialism is forced to turn its chief attentions inward, its first serious crisis will then be at hand.

# THE PARAMOUNT INTERESTS OF BRITAIN AND AMERICA

*By Sir Willmott Lewis*

**A**MONG the relationships which together make up the pattern of international affairs those between the United States and the member nations of the British Commonwealth are incomparably the most fruitful for good or evil. The point can most effectively be driven home if we assume that, for any reason, antagonism rather than friendship were to govern the attitude of the United States and the United Kingdom toward one another, and if we then attempt to estimate what changes in the international structure would at once be brought to pass. Of Anglo-American relations it can be said that their condition, actual and prospective, influences the calculations of statesmen within and without the British Commonwealth in a way which, if not decisive, is more potent than that of any other bilateral factor in the sum of things. The United States is the strongest single force in the world, and the fact that such a force is now situated outside the European continent has created a new problem in political magnetism; the geographical position of the United Kingdom, and the special relationship to Europe thus imposed, enormously strengthen its voice in continental counsels; and, finally, the existence of the British Commonwealth and of a British colonial empire, and the far-ranging connections of the United States, bring the interests of the two Powers, both political and commercial, into juxtaposition in all regions of the globe. To this must be added — what Mr. Walter Lippmann<sup>1</sup> has so clearly set forth — that their political relations are vexed by no disputed frontiers, no “spheres of influence,” no desire for territorial expansion, that their world outlook is fundamentally the same, that their speech and traditions are drawn from the same well. Why, as he asks, do they not stand together more effectively than they do?

## II

Mr. Lippmann finds an answer in the assertion that the paramount interests of one are the secondary interests of the other, that “their most immediately pressing needs are not identical.”

<sup>1</sup> “Britain and America.” *FOREIGN AFFAIRS*, April 1935.

He says very truly that British frontiers are in the Low Countries, while the American frontier is on two oceans, connected precariously by the Panama Canal. He asks, as a first step in the development of Anglo-American political coöperation, a "clearer definition of British policy in the region of its primary interest, which is Europe, and of American policy in the region of its primary interest, which is the Pacific."

There is, if a retort courteous be permitted, a neatness, an air of logical finality about this, which is deceptive. It invites entry into a field of discussion in which British uncertainty as to American action where Europe is concerned, and American uncertainty as to British action where the Orient is involved, can be provokingly balanced one against the other as preventing any "clearer definition" of policy by either country, with the result that the hen and the egg compete once again for priority in existence, and confusion is worse confounded.

There is a real primary interest of the United States and Great Britain, and it is neither the Orient nor Europe. For each it is made up of self-preservation and its corollary, peace, which dovetail one into another like mortice and tenon. To say that for the United States the Orient is primary and Europe secondary in rank, or that the obverse is true for Britain, is to take no account of the fact that when war impends or breaks out in Europe the affairs of that continent become a primary interest of the United States, and that when war threatens or occurs in the Far East the affairs of that vast region become of primary interest to Britain, herself a great (not less than the greatest) Oriental Power. Even this is not all, for out of the madness which denies interdependence in trade, the world of our time has spun a new and ghastly interdependence in armament and military assistance, so that an explosion in Europe must invite another in Asia, and hostilities in Asia must subject the fabric of European peace to intolerable strain. We are led, I believe unescapably, to the conclusion that the sole "primary interest" of the English-speaking world is peace, and from that conclusion to a question: Is there not a serious disproportion between the power and potential influence of the United States, and the part which the American people have been willing, or seem now to be willing, to play in the organization of peace?

It is with no remotest desire to draw a comparison with Great Britain, but in the hope that an attempt by a friendly observer

to distinguish between the characteristic attitudes of one and the other government may contribute something to objective discussion, that I venture to assert the existence of this disproportion.

## III

It would, perhaps, do no injustice to Mr. Lippmann's article to say that it seeks, *inter alia*, to discredit such phrases as "American isolation" and "British internationalism," by stating a sort of political equation, or what might be an equation if the two quantities — Britain in Europe and America in the Far East — were not unknown. The *clichés* which move him to impatience should certainly not be kept in circulation. No doubt it would be as fanciful to describe the temper and disposition of the people of Great Britain as "international," by any definition of the word known to me, as to say that in the last half-century the mounting strength of the United States had permitted or encouraged the American people to practice "isolation." It follows that any lack of Anglo-American political coöperation cannot be handily explained by reference to such imagined attributes as these. What is more, the characteristic manifestations of American foreign policy since the World War have strangely resembled those which, *mutatis mutandis*, distinguished the policy of Great Britain from the time of the defeat of Napoleon to the day, in 1900, when Germany embarked on the creation of a great navy. The concept of the "balance of power" is as clearly visible in the pattern of America's attitude toward the Far East today as it was in the design of Europe which Britain helped to draw in the nineteenth century. These and other things are clear enough, but their discussion, which might be endlessly continued, could bear no fruit. Some better purpose might perhaps be served by the suggestion that the British policy of "splendid isolation," as we look back upon its results, had no such enduring success as would make it the best of models. Or if we should extend the lines of today out into the future, and attempt to show the United States — a later and a larger Britain — as the withheld and deciding weight in the scales of a world balance of power, as was England of a European balance of power, until history repeats itself, America is (as was Britain) forced to throw her weight into the scales in order to restore a lost equilibrium, and the hopes of mankind are blotted out in a universal war.



Vaticination, however, is mere vanity. You may bring in nineteenth century Britain to explain twentieth century America if you are willing to accept all that is thus implied. But surely something more is desirable in — and demanded by the urgencies of — the present time. There is, I firmly believe, an essential difference between British and American policy today which no reference to regional parallelism can diminish.

Broadly stated, I believe the difference to be this: that British policy, more acutely sensitive though it may be to events in one region than another, yet is always concerned, in a positive and what may be called an intervenient sense, with *the causes of war* everywhere; whereas those responsible for American policy have been constrained to cultivate insensitivity to *the causes of war* in Europe, and can move into contact with events antecedent to possible conflict only when the Pacific is the theater. There are reasons for this unequal response to realities — for such on the surface it appears to be — which rise above captious criticism. They have no relation to the degree of wisdom or clarity of vision of American statesmen, who — without exception in my personal experience of the State Department — have fully grasped the essentials of a positive contribution to European peace which they have been politically unable to make. Nor, by the same token, do they justify the tendency in foreign countries to ascribe to the American Government and people lukewarmness in the greatest of all causes, a tendency born of that massive, and apparently irreducible, ignorance about the American system of government which afflicts the average non-American.

The difference in the quality and inclusiveness of British and American policy is, in fact, constitutional. The American system differs from the British in many respects, but in one most influentially. In the words of Walter Bagehot, the “efficient secret” of the British Constitution is that executive and legislative powers are one; the most important attribute of the American Constitution is its dispersion of power. The effect, in one and the other case, upon the formulation and expression of a consistent foreign policy is immense. Freedom of action, within parliamentary bounds, is given to a British Cabinet in a degree unknown to any American President, whose executive power is balanced against — and, let it be said frankly, is too often found to be in conflict with — that of a jealous and equally puissant legislature. Thus it is that American foreign policy so often resembles Penelope’s web,

for what is woven by the President may be unwoven by the Senate, to the confusion of such suitors as, for instance, Secretary Hay with his treaties, President Taft with his proposals for arbitration, and President Wilson with his Covenant of a League of Nations.

Most foreigners, and some Americans, abound in criticism of the situation which thus periodically develops, and they may be right, though we must allow for the fact that the foreigners are generally right for the wrong reasons, which the moralists assure us is not rightness at all. Other Americans, however, seem to me to rationalize this conflict between executive and legislative in the field of foreign affairs, to endow it with some mystic and recondite wisdom, to see in it something ultimately purposive; and with these it is difficult to agree. For it has been, and remains, a source of grave uncertainty for the Cabinets and foreign ministers of other countries, Great Britain among them, who must await the action (often contradictory) of the Senate before they can estimate the value of a declaration by the American executive, and, what is more important, must take anxious counsel before they follow the invitation of an American executive policy, lest its later implementation be refused by the Congress and they be left in a position of dangerous detachment. So was it, where the Great Powers were concerned, with the non-recognition doctrine of Secretary Stimson, a fact which American opinion would do well to recognize.

#### IV

It is time, however, to say that nothing in what has gone before is intended to imply that in British foreign policy all is clear, firm, positive, following an ordered and undeviating line. That would be a childish avoidance of the truth. A quotation from the late Sir James Headlam-Morley,<sup>2</sup> sometime historical adviser to the Foreign Office, will serve admirably to show how Great Britain's dealings with foreign powers are the outcome, as he says, of interaction and compromise between many different and competing interests and motives. He goes on:

In the beginning we have the union of the British Isles, achieved after centuries of effort, only to be broken in our own days, the dominance of the Narrow Seas and the struggle to prevent a great military and naval power being established on the opposite shores. And then the field of interest widens. We

<sup>2</sup> "Studies in Diplomatic History." London: Methuen, 1930.

become aware of the Atlantic motive; there is expansion across the ocean, the struggle with Spain and France and the foundation of colonies. At the same time as the Ocean, the Mediterranean Sea comes into the picture; interests and influence are established in waters to the rulers of whose shores we cannot fail to appear as alien interlopers. And then are added India and the East, and the road to India, and our coaling stations, and the opening up of China; until it has come about that with the furtherance of trade and commerce there is no continent in which we do not have real and vital interests.

The maintenance and defense of these interests provides in each case a new motive of policy, but the real problem arises always from the very number and variety of the interests to be defended, the developments to be furthered, and the objectives to be pursued. Like all other countries, England has but a limited amount of power, wealth, public credit and political influence, and success requires a careful economy of resources. Just because the interests of this country are world-wide, just because there is no continent in which it has not political power and fields of economic enterprise, it is more than any other country exposed to the danger of pursuing conflicting aims and arousing political opposition, and, for this reason, objects which are desirable in themselves cannot all be attained at the same time; there must be a sacrifice of material advantages, even a withdrawal from spheres of authority where we have established ourselves. . . .

To this is largely due an element in the history of British policy which is often cause for unfavorable comment. There appears to be an uncertainty of touch, a vacillation and indecision, which is undoubtedly very inconvenient to those other nations who desire to coöperate with us, and which easily may give an impression of weakness.

How much of the phrase "British internationalism," to which Mr. Lippmann objects, is left after the reading of such a passage? Yet Sir James's words invite this comment at least: that if constantly changing conditions had not taught the guardians of an often hesitant British policy to adapt their methods and correct their aims, there would now be vastly less for these gentlemen to guard. They have learned to watch for, and within the limits of their power to seek the removal of, *the causes of war* everywhere. This is not a hazardous policy. The real danger would lie in a failure to follow it. And I humbly suggest that the policy of nineteenth-century America may not, because it seemed necessary and profitable many years ago, be still equally fitted in the twentieth century to serve the real interests of a Republic powerful beyond any unit on earth, the greatest of creditor nations, whose people, by the very fact of their wealth, their strength, and their habits of action and enterprise, are today vexed by the question whether, if war should break out, they could possibly remain neutral.

## v

It remains to find some word to take the place of "isolationism" as descriptive of the American position. At the risk of adding to the already staggering list of neologisms which bedevil the purist, I suggest "unilateralism," as to which a few illustrations may take the place of definition. The time has long gone, if it ever existed, when the effect of any action by the American Government could be confined within the continental borders of the country. The time never was when actions within a certain category, actions theoretically of purely domestic import, could fail to exert a powerful influence for good or evil upon the peoples of other lands. And yet today, when the nation is stronger than ever, it is (I hope I may say without offense) too rarely that we find any account taken of the inevitable repercussion abroad of policies to be enacted into law.

Certain modern instances may be cited, and one particular aspect of the Immigration Act of 1924 may head the list. Its import will be better understood if we remember that, at the Paris Peace Conference of 1919, the conviction of the Japanese delegation that they were denied equal status at the council table with the great white Powers was a source of profound embarrassment in negotiation. There ensued a period of dangerous tension in Japanese-American relations, which was happily relaxed by the Washington Arms Conference of 1921-22. In Washington the representatives of Japan felt, and were not mistaken, that a cordial equality was theirs. An agreement as to capital ships and a nine-power Chinese treaty were successfully drawn up and signed, and a settlement of the Shantung difficulty by China and Japan was made possible. Not long after, a veritable explosion outward of American generosity toward the sufferers from the great Japanese earthquake encouraged the people of that land in their new conviction that Americans were indeed their friends. And then, in 1924, with the refusal either to continue the "gentleman's agreement" as to Japanese immigration, or to grant Japan a quota — not many more than 100 persons annually would have entered — all the good was undone. Long residence in Japan, and knowledge of its proud and sensitive people, leave in me the conviction that the breakdown of the Washington agreements began with the feeling that the cordiality with which their delegation had been received in 1921 was unreal, that equality of status in the most

delicate of its forms of expression could never genuinely be theirs.

We shall be moving still in the region which Mr. Lippmann describes as the "primary interest" of the United States if we turn now to China, the maintenance of whose independence and administrative integrity has long been an avowed objective of American policy, whose market is desired by American traders, and whose people have had the sympathy of countless Americans in the period of unhappy Sino-Japanese relations which began a few years ago. The Chinese are believed to have suffered cruelly from unwarranted attack, but it is doubtful whether the cost to them of Japanese bombs dropped and shells fired is not less than that inflicted by the American Congress when it passed the Silver Purchase Act of 1934. It will be difficult to make the Chinese accept as explanation that new stocks of silver were required in order that this country might have a currency base broad enough to support a higher price level. Indeed, this and other explanations have been dismissed by Americans and by the newspapers of this country themselves in favor of that which attributes the legislation to the political need of placating a small group of silver-producing States and their representatives.

Finally, a brief allusion to the question of Philippine independence may not be out of place. The ultimate disposition of the archipelago is entirely the affair of the American people. But their decision cannot fail to play a part in the strategic preoccupations of Japan, Great Britain, certain dominions of the British Commonwealth, and Holland. It had long been a confident assumption of the islanders that the grant of independence, when it came, would take generous account of their material well-being and military weakness — would, in short, be a final and noble expression of American altruism, supported by such international agreement as the beneficent purpose and powerful influence of the United States might incline the American Government to conclude. No more need be said upon this than that those who, like myself, have lived and worked in the Philippines, an experience always productive of warm affection for the kindly, hospitable folk who inhabit the islands, were seriously disturbed by the indifference to all but the competitive aspects of economic relations which determined the action of Congress. As for an international agreement which might allow the Filipinos to develop behind a friendly protective screen, Congress was in too great a hurry to permit of its initiation, even if international affairs had not been

too confused to justify a hope of success; and we are now left to wonder whether it can ever be made. The fate of the islands without either continued American guardianship or some substitute multilateral engagement is not difficult to predict, and must now be a rather uncomfortable factor in the calculations of some of the Powers I have mentioned.

In all this the point upon which I would respectfully insist is that each of the instances cited is in fact a manifestation of American foreign policy, and that each can be shown to be inconsistent with the aims or professions of that policy as it has from time to time had executive expression. The foreigner who desires to understand the uncertainties of American relationship to the outside world would be wise if he kept his readiness to criticize under strict restraint, and recognized these cases as the almost logical outgrowth of a system based upon the dispersion of power. There may be room, of course, for reflection upon the curious fact that, whereas the Senate often intervenes to block the road of executive action in foreign affairs, the President — who has the power of veto — rarely if ever interposes a negative when legislation which may be a wholly disastrous contribution to external policy is involved. But while the field is open to the operations of two forces, executive and legislative, between whose equal powers the Constitution has decreed a legal separation, and whose activities can be contradictory, it need occasion no surprise if the result, when it takes a statutory form, should be determined by the arguments and pressure of regions within the continental area or distinct groups within the population — the Pacific Coast, the silver-producing States, or a farming section — rather than by a more fully integrated national interest.

In conclusion, let me say that Mr. Lippmann's demand for "clearer definition" of British and American policy at the points (as he finds them) of greatest susceptibility, seems at once too gradual for these urgent times, and less effective than would be the development on this side of the Atlantic of a positive concern with *the causes of war* everywhere. Not until this had been tried could the results be determined, but it is fairly arguable that thus, and perhaps thus only, could American executive and legislative powers be united in the service of consistent action, and the cause of Anglo-American coöperation for peaceful ends be genuinely advanced.



# THE AIMS OF JAPAN

*By Baron Reijiro Wakatsuki*

IT IS with considerable diffidence that I venture to present briefly my views concerning Japan and her aims, for I am not at all certain that I can say anything which has not already been said many times. I do, however, welcome an opportunity of addressing American leaders in the world of thought and diplomacy. I should like to talk to them, as it were, in an informal, heart-to-heart fashion. That will serve best, I believe, the cause of Japanese-American friendship.

I am firmly convinced, as a large number of Japanese are convinced, that friendship between the United States and Japan is essential not only to both countries but to the welfare of the entire world. Perhaps I may be permitted to be somewhat personal. Towards the end of 1929, on my way to the naval conference which was then about to open in London, I spent a few days in Washington, where I had the opportunity of conferring with President Hoover and Secretary Stimson. What was then uppermost in my mind was how to advance Japan's friendly relations with the United States. To that end I considered it to be of the greatest importance that the two countries should come to an understanding on naval questions in advance of the London Conference. It was for that reason that I went to London by way of the United States. I recall with much pleasure and keen appreciation the hearty welcome given to me in Washington, and the friendly spirit in which both the President and the Secretary of State expressed themselves on various questions. Since then, whether as head of the Japanese Government, or as the leader of a political party, or merely as a private citizen, I have always done all I could to promote Japanese-American friendship. Naturally I have followed with constant and careful attention American public opinion towards Japan, as well as Japanese public opinion towards the United States.

## II

The results of the London Treaty and more recently the Manchurian incident shocked public opinion considerably in Japan and in the United States. There were a number of Americans who criticized and condemned Japan's policy, just as there were a

number of Japanese who held similar opinions about the policy of the United States. But I believe that before a nation passes any judgment upon another nation's conduct she should first consider what she herself would have done had she been in that nation's place. Therefore, I should like to ask you first of all to visualize clearly the situation confronting Japan.

I can readily enough see how difficult it must be for you to put yourselves in our place, as there are few points in common between the situation which confronts America and that which confronts Japan. The physical and geographical circumstances of the two countries are totally different, to say nothing of their histories or their customs and manners. Your country is compact, though vast in area; it is peopled rather sparsely, though the total population is great; and it is immeasurably rich in natural resources. In fact, America is almost entirely self-sufficient and self-supporting. Ours is a country consisting of many small scattered islands, extremely overcrowded, and so poor in natural resources that we must largely depend on imports for our supply of raw materials. The neighbors with whom you may have troubles are either small or militarily quite impotent. On the contrary, we are face to face with two great continental Powers — China, with an area sixteen times as large as ours and a population of four hundred million, and the Soviet Union, with an area thirty times as large as ours and a population of one hundred and sixty million. Moreover, these two countries, by reason of the exceptional conditions prevailing in them, have been sources of constant anxiety to Japan.

In view of such an absolute difference in the situations of Japan and the United States it may be too much to ask that you put yourselves in our place before you criticize our actions. But this you should try to do, just as we should try to put ourselves in your place before criticizing your actions. And I cannot help believing that, if you were in our place, you would be doing exactly what we are doing today.

### III

As regards the domestic situation of Japan, we are faced first of all with a most pressing problem of population. We have at present a population of ninety million, and because of the smallness of our area Japan is one of the most densely populated countries in the world. This population, I must also point out, is

increasing very rapidly, at the rate of eight or nine hundred thousand per annum.

Although it is only a few decades since we came into close contact with the Occident, Japan is an old country. We have long been known as an active and energetic nation. Marco Polo, who returned to Venice in 1295 from his travels on the Asiatic mainland, wrote of the "indomitable courage of the people of Zipangu." More than three hundred years after Marco Polo's time our country entered upon a hermit life, which lasted from 1636 to 1858. During that period the isolationist policy of the Tokugawa Shogunate suppressed the expansive vigor of the people. But as soon as the Meiji Restoration lifted the ban on foreign intercourse the long-pent-up energy of our race was released, and with a fresh outlook and enthusiasm the nation has made swift progress.

When you know this historical background and understand this overflowing vitality of our race you will see the impossibility of compelling us to stay still within the confines of our little island home. We are destined to grow and expand overseas. Well, then, whither? If Japan had, like America or Great Britain, immense and sparsely populated territories, it would not be necessary for us to go to Manchuria or anywhere else on the Asiatic mainland. The United States, Canada, Australia and New Zealand and other regions in the Pacific, with vast areas and scanty populations, where there is much room for emigration, are closed to us for no other reason than that we are Japanese. As for the question of Japanese immigration into the United States, while we resent strongly the discriminatory treatment to which Japanese are subjected, it is after all a question for the solution of which we consider it best to appeal to your sense of justice. Very recently, when an anti-Japanese movement arose in Arizona we relied for the settlement of the affair entirely upon the sense of justice and fair play of Americans. We do not wish to send our immigrants to any country where they are not desired. While we believe that the American law for the restriction of immigration is decidedly unfair to us, we are not disposed to demand the entry of Japanese into the United States against the wishes of the American people.

The path of our expansion lies, then, naturally in the direction of Manchuria, which is contiguous to Chosen. It was because of our concern for the peace of East Asia no less than because of our conviction that our only path of progress lay on the continent of Asia that at the time of the Manchurian incident our nation rose

spontaneously as one man to grapple with the situation. The Manchurian affair was really a life-or-death struggle for Japan.

## IV

Let us turn to Japan's industry. It is a fact that of late our industries have developed notably and that our country is being fast industrialized. In this connection I should like to call your attention to two points — first, that the industrialization of our country will contribute to the solution of our population problem; and secondly, that our industrial and commercial expansion has brought in its wake many serious international problems.

Westerners are in the habit of gauging the culture or civilization of a nation by its standard of living, and of vaunting their generous desire to bring the other peoples of the world up to their level of enlightenment. That is in a way true. Now we Japanese are doing our best to elevate our standard of living, which is not quite so high as that of some Occidental peoples. And it is to that end that we are developing our industry and commerce, which is practically the only way to increase our national wealth since our country is so poor in natural resources. We reorganized and improved our commercial and industrial methods. We worked patiently and tirelessly until we were in a position to compete in the world market with other advanced nations. However, we at once encountered a stupendous obstacle in the form of a boycott in China, the biggest market for our merchandise. When on February 24, 1933, the Assembly of the League of Nations adopted a report which declared that the Chinese boycott subsequent to the Manchurian incident was a legitimate means of reprisal in the light of international law, China was virtually closed to Japanese trade. There are those who accuse Japan of attempting to close China to other Powers, but as a matter of fact it was Japan who was shut out of China. We were forced to seek the outlet for our merchandise elsewhere. The flow of Japanese goods into various quarters of the globe was, though largely due to quality and price, traceable in part to the anti-Japanese agitation in China.

Great Britain and other Powers then began to adopt the quota system and other measures for preventing the importation of Japanese goods into their territories, despite Japan's protest that such action was a violation of commercial treaties. In view of the fact that Japanese articles, because of their good quality and cheapness, are welcomed by a large majority of the consumers in

every country, and are in especial demand amongst the native populace of the European colonies in Asia and Africa, one cannot but conclude that the home governments are sacrificing the interests of large numbers of consumers in order to protect a few producers. It is questionable, however, whether a country can ultimately succeed in an attempt to protect its industries by artificial devices for the exclusion of foreign goods, without endeavoring either to improve its industrial organization and technique or to increase the efficiency of its workers. Accordingly, I doubt very much if the prevailing economic nationalism, inaugurated by the European Powers, can continue indefinitely. At any rate, it is a regrettable fact that they are erecting various trade barriers to obstruct the free interchange of goods, and thus handicapping the cause of human happiness and progress. I believe that freedom of trade is essential for the promotion of the mutual interests and well-being of the nations. I hope, therefore, that all the Powers, casting aside shortsighted policies, will put international trade back upon the normal basis where it ministers to the wants of each and where it furthers mutual prosperity.

However, to return to my first point, the promotion of Japan's foreign trade is closely knit up with her international relations inasmuch as it directly implies the expansion of her industries. This in its turn advances Japan's culture and civilization by raising the standard of living, and offers an effective means of solving her population problem.

The world is moving forward constantly. But we cannot shut our eyes to the fact that the backward nations are moving at a much faster rate, in order to catch up with the more advanced nations in culture and civilization. Thus the Asiatic nations, now wide awake, are struggling to approach the level of European and American nations. It is necessary, then, in the interests of world peace and harmony, that the advancing nations be given adequate spheres of activity and expansion. Japan, which is forging ahead at a very rapid pace, is surely one of those nations.

v

Let us now examine Japan's environment.

Our relations with China date far back in history. Even during the period of isolation under the Tokugawa régime we continued to have friendly intercourse with China. But when early in the last decade of the nineteenth century she adopted an aggressive

policy toward Korea, and threatened the peace of the Far East, we fought her (1894-95) and drove out Chinese influence from the peninsula. Following the Sino-Japanese War, China concluded a secret treaty with Russia, by which the latter was given the right to construct the Chinese Eastern Railway in Manchuria in return for a promise to come to China's aid in case of another war with Japan. Once entrenched in Manchuria, Russia launched out upon the conquest of the Far East. We fought her in 1904-5, and drove out Russian influence from South Manchuria.

In 1912 the Manchu Dynasty fell, and China became a republic. It was Sun Yat-sen himself, father of the Chinese Revolution and founder of the Kuomintang Party, who preached the doctrine of so-called "Great Asianism," urging the coöperation of Japan and China and declaring that China should abandon Manchuria as being the most likely source of Sino-Japanese friction. And it was the Canton Government, set up by Sun Yat-sen, which sent the expeditionary force under Chiang Kai-shek to the north and succeeded in establishing the present Nanking régime. But after the death of Sun Yat-sen the leaders of the Kuomintang, and later the authorities of the Nanking Government, adopted the ruthless anti-foreign policy called "revolutionary diplomacy." They attempted to check the Powers by playing off one against another. Hoisting the banners of "anti-imperialism" and "abrogation of unequal treaties," they clamored for the abolition of extraterritoriality, the return of foreign concessions at various ports, the cancellation of the Boxer Indemnities, etc. Now earlier, at the Washington Conference, we had made concessions to China which few other Great Powers similarly situated would have made. We had done this out of our growing sympathy with China and in the hope that after achieving unity and setting her house in order at an early date, she would redeem the various obligations which she had undertaken at that conference. It was such sanguine hopes and liberal beliefs which caused us to sign the Washington treaties regarding both the navy and China. These hopes were dashed by subsequent events. China failed to meet her obligations under the Washington Treaty. Indeed, our conciliatory attitude only served to increase her arrogance. In particular, our position in Manchuria became more and more precarious. There accumulated between Japan and China more than three hundred unsolved questions. It was in this tense atmosphere that the Manchurian incident occurred in 1931.



The split between China and Japan caused by the Manchurian incident lasted for some time. But of late the leaders of both the Chinese Government and the Kuomintang, realizing the folly of persisting in their antagonism toward Japan, and understanding better her real intentions, have been assuming a friendly attitude in harmony with the spirit of Sun Yat-sen's teachings. As a result, it seems to me, Sino-Japanese relations are now on the way to being restored to a normal basis. At the time of the Manchurian incident there were many critics in other countries, especially in yours, who severely censured our action. But now that Sino-Japanese relations are taking such a favorable turn European and American fears seem to have been groundless.

However, China has still to reckon with the communists who have their strongholds in Szechuan and Kueichow. These are establishing contacts with their comrades in Sinkiang, across the Province of Chinghai which is practically a no-man's land. And there is the southwestern party which maintains an independent régime in Canton, and refuses to take orders from the Nanking Government. Such a state of disunity is directly or indirectly a source of concern to us.

## VI

The Soviet Union is another neighbor of ours. The aggressive policy of the Tsarist Government brought on the Russo-Japanese War, as the result of which Russia was forced to withdraw from South Manchuria. The government of the Soviet Union was reported to have made a declaration in 1919 to the effect that it would abandon all the old Russian concessions in China; but it retained its rights in the Chinese Eastern Railway and held North Manchuria securely as its sphere of influence until the establishment of Manchukuo in 1931. Since then Moscow seems to have found it necessary to retire. However, in Outer Mongolia and in Sinkiang the Soviet Union has consolidated its position. Although by the Sino-Soviet treaty of 1924 the Soviet Union recognized Outer Mongolia as an integral part of the Republic of China, Moscow had previously (in 1921) signed a separate treaty with "The People's Government of Mongolia," recognizing it to be "the sole lawful government of Mongolia," and the two Governments later exchanged plenipotentiary representatives. Today Outer Mongolia is virtually a Russian protectorate administered under a Soviet system. The present head of Sinkiang Province,

Sheng Shih-tsai by name, is dependent on Russian support and the province is completely under Moscow's domination.

The aim of the Soviet Union is to bring about a world revolution and set up a proletarian dictatorship everywhere. The Soviet leaders have persistently worked to achieve their objective, though with varying intensity. For some years the communist movement in China was widespread, and until very recently held Kiangsi and several other provinces in its grip. When the Union of Socialist Republics of China was established, with its seat of government at Suichin, the pamphleteers in Russia urged an alliance of the two Soviet unions of Russia and China. And they raged furiously over the advent of Manchukuo because it shattered a convenient link for that projected alliance.

#### VII

The policies and internal situations of China and Soviet Russia being what they are, these two great and close neighbors of Japan affect us both directly and indirectly. We once had to fight China, and then we had to fight Russia, at a great sacrifice of blood and treasure, for the preservation of the peace of East Asia. The peace of East Asia would not have been maintained, nor would the rights and interests of the Powers there have been secured, if Japan had not played the part of a watchdog. On the peace of East Asia hangs the fate of our nation. Other Powers may have important interests there, but these interests at most concern only their commercial prosperity, whereas the interests which we have are vital. I doubt if you have anywhere outside your borders interests so vital to you as those which we have in East Asia are to us. But supposing we did interfere in some question involving your vital interests, how would you feel about us? Our concern over affairs in East Asia is surely far more profound than any you ever have felt over questions touching your neighboring states. That is why we cherish so earnestly, and are ready to guard at any price, the peace of East Asia.

#### VIII

I feel I cannot leave the naval question out of any general discussion of Japan's problems.

The preliminary naval conversations opened in June of last year were adjourned in December, and the results are now being carefully considered by the respective governments concerned,

with a view, no doubt, to paving the way to a formal conference in the near future. Those conversations served a useful purpose in that they clarified the viewpoints of the three major naval Powers as to their respective requirements, policies and intentions. Viewed in that light, the London parley was not a failure but a success, for naval accord is possible only when each of the interested Powers knows where and how the others stand. Since the findings at London are now being weighed by the three governments it would be inappropriate for me to go too far in detail into the subject at this time.

I was present as Japan's chief delegate at the London Naval Conference of 1930. The difficulties which that conference had to face at the outset were many, including not a few that seemed well-nigh insurmountable. I need not touch here upon the difficulties experienced by the delegates of the other Powers, but shall confine myself to our own problems.

To Japan, the most important question was whether or not the naval ratio of 5-5-3, which as you all know had been adopted at the Washington Conference of 1922 for the American, British and Japanese capital ships and aircraft carriers respectively, should be extended to cruisers, destroyers, and submarines. Japan took the stand that the same ratio should not be applied to auxiliary craft, and we submitted an alternative plan. Other Powers failed to agree to this plan on certain important points. It became obvious that our insistence upon our own formula would wreck the conference. We thought the consequences of a failure would be most unfortunate to all, and therefore, taking a larger view of things, we accepted, though reluctantly, a basis of deliberation that would lead the conference to success instead of failure. When I signed the resultant agreement on April 22, 1930, I issued a written statement, in my official capacity as Japan's chief delegate, in which I made it clear that the agreement was not to serve as a precedent in any subsequent naval conference. I stated plainly my hope and expectation that at the next conference, which was to meet within five years, the Powers would reconsider the whole question of ratio on a new basis. In spite of the unequivocal reservation which we made, it was, I must confess, an ungrateful task for us to sign the London Naval Treaty. We did sign it in the hope that it might materially contribute towards international harmony and particularly towards our friendly relations with the United States. However, as the years

passed, the popular dissatisfaction in Japan with the London Conference and the London Naval Treaty grew in intensity, and manifested itself in one way or another upon various occasions.

Today there still remain a number of pending naval issues between Japan, Great Britain and the United States. As has been officially stated more than once, our proposition is that each Power should maintain such a navy as will not menace other Powers — a navy insufficient for attack but adequate for defense — and that the armament should be reduced to the very minimum required for defensive purposes so as to lighten the tax burden of the peoples concerned.

A fundamental point in the naval problem, and one which I think Americans should bear in mind above all others, is that neither Japan nor any other Power on earth can effectively attack or invade their vast continent. Occasionally I read press dispatches from Washington reporting military and naval appropriations amounting to hundreds of millions of dollars. Of course that is an internal question for your country with which no foreigner should interfere. But you should keep in mind one thing, namely, that you are in a position in which no nation can attack you either from the Pacific or from the Atlantic, either from the air or from the sea. No naval Power can ever blockade you. The mere size of your territory and population, the magnitude of your wealth and resources, stand as an effective warning against any possible contemplation of foreign aggression.

In this respect Japan is the very opposite of America. From the standpoints of geographical position, topography, and size of territory and resources, as well as because of other circumstances, our country is not secure from external menace. We keep our navy for the sole purpose of defending our land. We harbor no aggressive designs against others, nor do we even contemplate sending our fleets near the waters of another country. We do not believe that a foreign Power should possess a navy capable of menacing another country.

## IX

Following the Great War the nations, eager to secure a permanent peace and to dispense with the old world order which was based on the balance of power and under which one alliance was pitted against another, brought into being the League of Nations. The war-weary nations of Europe and all the other

peoples rejoiced in the hope and belief that peace — a permanent and universal peace — had dawned upon the ruin left by the war. At the Washington Conference, held shortly thereafter, we made all possible concessions and signed the treaties concerning China, expecting that that country would forthwith set to work to restore order and achieve unity. We also signed the naval treaty which was to prevent a needless naval competition among the sea Powers. And subsequently for some years our government pursued a policy of drastic retrenchment not only on naval but also on military expenditure.

But the glowing hopes we had entertained for the new world order began to fade. In Europe the frail structure of international relations founded upon the various peace treaties quickly broke down. The entire continent has long been plunged into a precarious state of instability and unrest. In the Far East, China not only failed to redeem the obligations and commitments she had made at the Washington Conference but embarked upon a campaign for the recovery of certain rights and interests and for the expulsion of foreign influence from within her borders. The Soviet Union had consolidated her position in East Asia, especially in Outer Mongolia, and at the same time expanded her military strength. Meanwhile, ever since the conclusion of the London Naval Treaty, which complicated and beclouded the naval situation, Japan had been seized with a growing feeling of uneasiness and discontent. Finally, there occurred the Manchurian incident, followed by the establishment of Manchukuo.

If we look on the brighter side, we see that very recently there have been signs that things are taking a turn for the better in our part of the world. Manchukuo has made rapid and healthy progress in all directions. Sino-Japanese relations are fast being restored to normal. The amicable settlement of the North Manchuria Railway question has served to relieve the tension between Japan and the Soviet Union, so that we may hope for a wholehearted tripartite coöperation and collaboration in the Manchurian region between Japan, Manchukuo and the Soviet Union. We are doing our best to promote these new hopeful tendencies in East Asia.

x

Finally, let us consider Japanese-American relations. From the very beginning of our intercourse some eighty years ago when

Commodore Perry first arrived in Japan, our two countries have remained on the friendliest terms. These became most warm and enthusiastic during the years of the Russo-Japanese War. But as Japan began to grow in power and prestige, somehow the United States began to show signs of apprehension. There arose between the two countries vexatious questions — the California question, the Chinese question, the Manchuria question, the naval question — which from time to time caused considerable irritation on both sides. Today there are still many questions pending. But they are all such as can be solved through diplomatic means. Certainly there are no pending issues that might possibly jeopardize our essentially friendly relations.

I believe that Americans will soon come to comprehend correctly the Manchurian question, and to appreciate fully Japan's position in East Asia. When you know exactly our position and our aspirations in East Asia you will readily understand our attitude and claims concerning the Chinese and the naval questions. I am confident that the sense of justice and fair play of Americans will in the end solve satisfactorily the immigration question. In the field of trade, I do not anticipate that we shall encounter any troublesome questions with your country such as we have with some other countries. Even if there should arise any difficulties, we surely should be able to adjust them amicably. If each of our two countries understands the other's position and aims and endeavors to promote peace and harmony by taking always a broad view, all the questions between us will be easily settled, and our friendship will grow more cordial than ever.

Japan is faced with many problems. Our path of progress is strewn with difficulties. But all we ask of the other nations is that they acquire a correct comprehension of our position and aims in East Asia. We do not care to meddle with the affairs of Europe or America. We are concentrating our efforts upon the stabilization of the situation in East Asia, as a nation with vital interests there. We have no intention to menace or attack our neighbor states, but on the contrary are endeavoring to carry out with them all a pacific policy based upon the principle of live and let live. Such are the obligations, as they are the aims, of Japan in East Asia.



# CIVILIZATION ON TRIAL

*By H. G. Wells*

THE game of international politics impresses a lot of common men like myself as being based on false premises. In the issue of *FOREIGN AFFAIRS* for April, I read an article which talks about "France" and the objectives of "Japan," and the purposes of "Russia," and what "Germany" intends to do. I have never been able to get over a certain skepticism about these matters. I can't succeed in translating nationalities into personalities. I can't make myself think of Japan as an individual who is plotting against Russia and who is preparing to form an alliance with Germany which would threaten Anglo-Saxon interests.

That sort of thing seems to me a romantic simplification of what is really happening in human affairs, and I think it leads to disastrous results. These might be avoided if we were more liberal and honest, if when we say, "Japan is going to do so-and-so," we said further, "What exactly is this Japan that is going to do so-and-so?" Japan is a vast country. The Japanese people have got certain foreign relationships, which they carry on through something which they call the Japanese Foreign Office. How long will it and its policies last? How far can we really believe that there is some simple thing called Japan which is malignant and patriotic and about to make an alliance with Germany?

And what is Germany, really? A mass of troubled persons who speak the German language and who are, I should think, in perhaps the most tragic position of any mass of intelligent people in the world. They have either got to repudiate their country or they have got to endure a grotesque sort of caricature of government by misrepresentation. Our foreign offices are going to deal with Germany as though it were an individual entity. But as a civilized man I continually try to see whether there is not a way of dealing with the civilized man in Germany and getting past that extraordinarily ugly Nazi mask which he has to wear because the alternative to the wearing of it would have meant submission to some foreign influence as dishonoring and even more humiliating.

Is there not a possibility that in the future we can get away from the idea that human affairs are necessarily shaped and con-

trolled in foreign offices and embodied in what are called foreign policies? Is there not a broader, more general pattern of human civilization which we might possibly emphasize and bring into fuller operation than it is at this present time, in order to prevent this idiotic and unnecessary game of national antagonisms from culminating in war and possibly the destruction of civilization?

I was enormously impressed during my visit to the United States this past spring by the fact that because you Americans have too many natural resources you have not got a paradise. You have got millions of people with hands and brains idle, and you don't know what to do with them. At a rough guess, there are between three and four million young people in the United States who have no jobs, no compelling interest in life at all. You ask them to work short hours or no hours at all, and to live on a dole. They think that they would be better off if they were dead. In England we are in the same case. We have got about two million young people, or more, and what have we got to give them? Nothing. What is the Nazi movement in Germany? What is Fascism in Italy? Young men who have nothing to do. Hitler and Mussolini offer them, if nothing else, excitement and possible glory. Japan is coming up against the same problem.

I have no panacea to offer for that problem. It is the greatest problem in the world. Humanity has been accumulating energy at an enormous pace. In addition to manpower, it has brought in mechanical energy to an extraordinary extent. And now it doesn't know what to do with that surplus energy. Because it deals as it does with human relationships it cannot cash in on the surplus that it has achieved.

The surplus of energy which has accumulated in human affairs for several thousand years has been partially expended in building up the standards of life. But the most natural method of relief has been war. War is a kind of excretion of the human social body. The energy accumulates — and human intelligence is not adequate to the problem of how to utilize it. So it has to get rid of it again. The chief corrective has been war.

No country goes to war because it is poor, no country goes to war because it is weak and unhappy. A country goes to war because it is full of vigor, because it has a great mass of unemployed people, because it has materials at hand. War is an excretory product, and until the world discovers some other means of using its surplus energy wars will go on.

The dogmatic doctrine known as communism offers no solution. Karl Marx misunderstood and perverted the philosophy of Robert Owen and the other idealistic socialists who looked for social betterment through collective action. Marx's theory of the inevitability of class warfare is one of the most pernicious things that ever happened to humanity. It is as bad as the idea of the inevitability of conflict between nations.

You Americans perhaps think that if Europe collapses into war you will be able to keep out of it. Many others, in England and elsewhere, have that same idea — to keep out of it. But I doubt that they can. The next war, if it spreads, and I think it is likely to spread, is going to mean the destruction of human civilization as we understand it.

Probably the greatest single body of mentality, so to speak, in the world today is the English-speaking community. I suppose that in the English-speaking community there are more people who read and write and talk than there are in any other community of thought in the world. Part of that community is in the United States, part is in Britain, and smaller parts are scattered about in Canada, South Africa, Australia and so forth. It seems to me a most lamentable and astonishing thing that behind our common language we have not got a common idea of what we are going to attempt to do with the world in the years ahead.

It is obvious that we are going to be tried out, and in a most extraordinary fashion. We are not ready for it. We have allowed foreign offices with their technical points and legal definitions to delude us into the idea that here is an American community, there is a British community. And British bad manners and American suspicions have helped in keeping us apart. Is it not still possible for the English and the Americans to get a little closer together, to conceive some sort of common purpose, and to bring their common traditions into effective action in time to save the civilization of the world? Or shall we wait until, divided against ourselves, destruction comes upon the world through a general collapse into war?

In every community in the world there is a state of stress because of an extraordinary change from the insufficient productivity which ruled social life in the past to the present excessive productivity. In economics we speak of this as the economy of plenty replacing the economy of want. You in America have to work out that problem. All the world has to work out that problem.

Is it not possible for the English-speaking communities to begin getting together upon the answers to some of the financial riddles, the economic riddles and the political riddles that paralyze us?

President Roosevelt told me when I saw him in Washington about something that has been happening on the border between the United States and Canada. At the eastern end of the border there has been a good deal of smuggling along the old side-roads, where it is easy for a truck or lorry to slip from one country into the other. To meet this situation the American Government started an air patrol to watch these back roads, and the Canadians were going to start another, when some bright spirit, I don't know who it was, said, "Why have two services?" And what is happening now on the Canadian-United States border is that there is an air service which is looking for smugglers, and in the aeroplane sit a Canadian policeman and an American policeman, and that aeroplane can come down on either side of the border and make an arrest in the interest of Canada or in the interest of the United States.

Suppose someone saw the opportunity for this sort of thing on a larger scale. Suppose someone saw the possibility of having the United States fleet in the Pacific and the British fleet in the Atlantic, instead of having a British fleet in the Pacific and an American fleet in the Pacific, and a British fleet in the Atlantic and an American fleet in the Atlantic. Is it impossible? What makes it impossible? What divergence of purpose stands in the way?

Unless men can get outside their national limitations, and unless they can tackle economic and financial and monetary problems with something bigger than their national equipment, I think it is not a question of centuries but of decades before we see our civilization going down. And it will not be for the first time.

The problem is to make peace successful. If peace is not successful, if war intervenes, it will be due entirely to the fact that under existing conditions we are not able to utilize our surplus energy, to employ our idle hands, in any other way to make life satisfactory and interesting. Failing the release of energy that would come from making peace successful, we will collapse into war. The way to get rid of war is not by leagues. The energies for war go on accumulating just the same.

The only thing to do is to invent a successful form of peace. That means a new sort of life for human beings. The choice before

us is war or a new world — a rational liberal collectivist world with an ever rising standard of life and an ever bolder collective enterprise, in science, in art, in every department of living. Because so far we have not shown the intellectual power and vigor to take the higher, more difficult way, because we have not had sense enough to discover what to do with our accumulation of social energy, is why at the present time we are drifting and sliding back towards destruction. If humanity fails, it will fail for the lack of organized mental effort and for no other reason.

## “THE OPEN DOOR AT HOME”

*By Herbert Feis*

THE OPEN DOOR AT HOME. By CHARLES A. BEARD. New York: Macmillan, 1934, 331 p.

**G**REAT history quite properly dwells in the high hills, and if amid the colorful mists which surround those hills there are any such things as green blotters they must be very dull and insignificant objects. But when the historian sends forth his book to exert influence in the lower contemporary world, and it arrives, for reading and for rest, upon one of these green blotters — of the standard size and color supplied to all Government desks — the proportions are reversed. Even opened wide it covers only a quarter of the green oblong; and the fresh and smooth surface of its hill-born generalizations are in striking contrast with the blotter's worn and detail-scarred face. What would become of the fresh and smooth surface if it should stay in the world of blotters? This is the thought that comes naturally to anyone living in that world.

I shall heed the prompting and restrictions of time and circumstance, choose the reflections which arise most naturally out of the last working day, and limit myself to one (and not the most effective) element of Professor Beard's analysis. I shall deal with its economic element and even more narrowly with the peacetime aspects of that, though I recognize that to do so ignores a vital part of his presentation.

A white moon peers over the White House lawn. The lights are still burning in the Executive Offices, and the ornamented and lighted dome of the Capitol can be seen at the other end of town. In the morning Congress will meet again and over the doorsteps of those seats of authority will hurry Government officials, reporters, state governors, businessmen, bankers, farm leaders, foreign diplomats and officers of the D.A.R. The reality resulting from the application of any conceptual policy, I remind myself, will be shaped by the views, the impulses, and the compromises of interest of that throng.

Professor Beard discovers, in a sense, that our country's history has been formed by the self-seeking activities and the private ambitions of its inhabitants, and he analyzes with stimulating vigor the arguments by which the main types of private interest



have sought to prove that the expansion and defense of their activities was essential to and identical with the national interest. In this analysis there is a proneness to caricature by emphasis on extreme expressions and particular moments. His appraisal of the outcome puts into the foreground the uncertainties and dangers which have thereby been introduced into our national life. The dominant sense which the analysis gives to the reader is that the activities of private interest have served us badly; that in the search for profit they have led to confused, unguarded and wasteful expansion; that they have drawn us into purposeless conflict, have caused security to vanish, and have linked our destinies too closely with events outside our borders, fostering incidentally a constantly growing and voracious military establishment open to employment in support of purposes not in accord with a true appraisal of our national interest.

As for our relations with the outside world, he entertains no hope of mutually beneficial and peaceful commercial intercourse so long as private interests retain their present freedom and power to influence public policy. The world outside our borders presents itself as dominated by deep hostilities, distracted by a frantic economic competition which commands and brings into play all the forces of imperialism and war, and destined and condemned to disorder. Thus, the expansion of the processes of interchange with the outside world which would be brought about by private interests if left to themselves, cannot be in the main beneficial. Further, the hope of restoring any extensive and self-adjusting interchange between ourselves and the outside world is a dreamlike and dangerous abstraction conceived in ignorance of “the tough web of fact.”

His argument and program calls for the subordination of all private interests to the requirements of a unified conception or plan of national interest, the rules, forms, and vital springs of which are to be supplied by technicians. This elevated conception of national interest is to suffer none of the blemishes of a statecraft shaped by the aggregations of private interests; it will not rely on the shuffling, grudging readjustment of those interests, under governmental guidance, to meet the crisis; it will be born of “clarified purpose, predetermined plan, and engineering rationality.” Staccato and numbered paragraphs enunciate maxims of statecraft for the new commonwealth. Important among the maxims in the field of economic activity, if not first, is the plea

for the achievement of maximum economic independence as an essential condition for establishing security and stability.

By the application of his maxims Professor Beard would call forth an economic order in which goods would be produced in kinds and quantities that would best satisfy the standard of life which his engineering technicians had computed were within the country's capacity; income would be so distributed and the monetary and banking systems so operated that the flow of funds offered in purchase of each type of goods would keep our people fully employed; American energy and capital would not become active in places and in enterprises where no main national interest was served; our participation in matters outside our borders would be limited to those in which the national interest was established beyond question and which might be defended, if necessary, with certain success; the size and organization of our defense forces would be determined solely by these aims. Such is the program towards which he aspires — all to be achieved, as far as any indication is given in the book, without loss in our national energy, without substantial disturbance of individual freedom, and without sacrifice of political democracy.

Disregarding for the moment whether or not this appraisal of our past history seemed in reasonable balance, and whether or not the interpretation of its shaping forces seemed over-simplified, who would not be attracted by the vision of such a greatly improved national life? Who would not rush on to learn the means by which it is to be achieved? And who would not experience a sense of frustration and disappointment at the dispersed and disorderly elements of actual program which he would find, and when he discovered the remainder of the task passed over, with challenging appeal, to future boards of experts and to "engineering rationale"? (I remind the reader that I am discussing solely the economic phases of the presentation.)

For while those sections of the book which dissect and interpret the interplay of private interests and conceptions of interest in the American past have a compact and determined movement which successfully crushes detail, the later sections given over to program-making and to exhortation stumble, as it were, against detail, and then with brave uncertainty proceed upon their course. It is on the very core of the problem with which Professor Beard engages himself — how, by what means, and in what form of state, private interests are best to be brought into

the desired permanent harmony — that the analysis most clearly falters and then stops. Since computations, charts, and graphs are not self-enacting, and since general maxims are not self-imposing, on what actual forces of interest and emotion does Professor Beard rely to put them into effect as drafted by experts and sung by poets? In failing to consider this adequately he fails to confront the question as to what results would arise in reality from the pursuit of his general conceptual bent and broadly sketched program. He escapes the difficulties that would beset those who had to execute his ideas in the world of blotters.

II

Some obvious reflections regarding the basis and general purpose of the proffered program intrude at this point. Would we, could we, even though convinced of the wisdom of this plea for maximum economic independence, refrain from actions which vitally affected the welfare of other countries, and which consequently would involve us in that type of difficulty from which escape is sought? Would we, for example, avoid all actions which affected the value and movements of silver and gold which might disturb the monetary or economic conditions of other countries? Would we impose strict restraint upon the expansion of our privately financed civil aviation companies because such expansion might bring changes in the status of other lands or in their domestic conditions? Would we cease to debate the actions of other countries and refrain from trying to influence their outcome? Would we remain indifferent to fluctuations in their individual fortunes? In short, will any *feasible* compression of our interests and activities serve the author's design of so restricting the interplay of activity between ourselves and the outside world that the maintenance of national stability and security would be more easily attained? Is not this picture of harmony in isolation as far from reality as the picture of harmony attained through ever-extending intercourse, which he so effectively destroys?

Again, what support can be drawn from events in the contemporary outside world for the author's first premise that economic security and stability can be achieved in this country by subordinating and subjecting to the most thoroughgoing governmental control the intercourse of private interests with the outside world? Comparisons, in fact, between the main import of his economic proposals and various contemporary developments sup-

port the opposite conclusion, though the meaning of all such comparisons is greatly blurred by differences in national circumstance. The basis of management of international economic and financial relations which is established in Russia resembles in many respects that which is now proposed. Has it produced stability and security in Russia and fostered a settled state of tranquillity between Russia and the outside world? Germany, partly voluntarily and partly by forced adjustment, has been pushing forward with a program of maximum national economic independence and a directed reorganization of economic forces within the nation in accordance with a heightened conception of national interest. Have stability and security been introduced into its economic life? Bulgaria, compelled to live much more largely to itself than previously, is not reported to be stable or thriving on a national income of \$35.00 per capita. Great Britain, Canada, Australia, Sweden, Norway, Argentina, and others whose economic welfare still remains most closely linked by comparatively unrestrained private trading with the peoples of the outside world seem, however, to be struggling back to economic order and stability.

The diversity of contemporary experience strongly indicates that Professor Beard's analysis of the relationship between international economic intercourse and national condition is one-sided. It gives too much weight to some of the characteristics and consequences of this intercourse and too little to the rest.

International trade, whether conducted by private interest or by governmental agencies, is often a genuine disturbing force and a source of irritation. To the extent that it is highly competitive, fostered or supported too intensively by governmental power, or violently inflated and shrunk as part of a course of boom and collapse, it brings instability and international friction, which it is the duty of government to foresee, guard against, and mitigate. It may be hoped that Professor Beard's demonstration of the importance of these aspects of international trade activity will find its mark upon public and political opinion, so that commercial policy can be framed on lines that minimize them. For those to whom escape into the haze of a general concept of nationally isolated economic transformation seems an inadequate and unsatisfactory disposal of the difficulties, the task remains one of determined effort to have an instructed people support a policy which avoids demonstrable abuses. Must we despair with Professor Beard that such instruction and balance is beyond us?

It is no less essential, however, to appraise correctly the beneficial effects of international trade, and to seek for an expansion of that trade along beneficial lines, instead of further restriction. For this trade has contributed and still contributes to the improvement of economic welfare in many countries, including our own; it often supplies a material interest for keeping the peace and for subordinating more emotional national impulses; it enables people to overcome the natural deficiencies of their own territorial boundaries, and hence to some extent lessens the risks of wars undertaken to conquer new territories (though the restrictions now imposed on international trade make it far less of a reconciling force than it might be).

How to minimize one set of consequences and increase the other to the maximum is, to repeat, the central problem of policy. The question is whether the general bent of the program which Professor Beard puts forward would successfully achieve the results he seeks; or whether a commercial policy based on the assumption that trade with the outside world is a disturbing, destructive traffic, to be borne only to the limits imposed by necessity, would not produce exactly the opposite result. Interests and emotions, as the author himself vividly shows, have a way of turning general conceptions to their own account. Those interests and emotions which have shown themselves most responsive in the past to ideas of economic isolation customarily have in view ends different from the controlled and morally elevated abstention toward which Professor Beard's thought runs.

### III

I pass from these general reflections to a few selected samples of the detailed way in which Professor Beard expounds his program. In doing so I know that the basic soundness of his general thesis cannot be tested in this way, but such a sampling may indicate at least whether we are dealing merely with a general idea or prepossession composed in recoil from the abuses of the past, or whether we are being presented with a balanced program fitted for adaptation by a vigorous and progressive government to tomorrow's need.

Were some Foreign Trade Authority created and empowered to act at once upon the detailed suggestions presented in this book, the first group to beg for further guidance would be the technical staff entrusted with the task of determining the volume

and kinds of imports to be admitted into this country in order to fulfill the standard of life resulting from the experts' calculations of the possible. This technical staff would have to find its way among the diversity of indications thrown out as possible guides. The most precise thing that they would find is a list of seven types of imports, of which I name but four:

1. Products which cannot be produced in the United States owing to the absence of suitable ores within its territorial boundaries or to climatic limitations.

2. Products which cannot be produced in the United States in sufficient quantities.

3. Products which can be produced in the United States, but not efficiently.

4. Commodities almost identical with American commodities but offered in special varieties of tastes.

The technicians might well be excused for being confused and for concluding either that Professor Beard was not conscious of the extent to which we had already closed our frontiers; or that he visualized a wholly different production system within the United States than now exists; or that he thought that by achieving a change in society we would be able to combine a greater volume of international trade with greater economic independence. I will not venture to interpret.

Certainly the volume of imports that would qualify under these headings would exceed by much the total that we now admit. In all probability the technicians would have to be instructed to regard this venture into detail as merely an incidental exercise. At some points the book recognizes that the pursuit of a policy of maximum national economic independence might mean a lowering of the American standard of life. The labor of the technicians would not leave this as a vague possibility — at least until such time as we should have succeeded in achieving in an orderly way wholesale transfers of our people into new occupations.

Professor Beard states that the primary basis for determining the international trade in which the United States should engage should be our import needs; and in the programmatic detail furnished for the guidance of the Foreign Trade Authority the volume of our exports is to be determined primarily if not solely by the volume of exports necessary to pay for desired imports. In this recognition of the fact that the chief gain from international trade derived by any country whose economic system is in bal-



ance lies in securing goods at less cost than they could be produced at home, the argument follows those of John Stuart Mill and of the classical economists (though dissenting from the further conclusion that a widespread international trade should therefore be encouraged). This acceptance of the analysis of the economists, and rejection of the view that sales of American goods in foreign markets should be expanded without reference to our own willingness to receive foreign goods and should be augmented by all the resources of our Treasury and forwarded by all branches of the national power, is a sound basis of guidance for our policy.

Still it may be ventured that the F.T.A. (for by this time the organization would certainly be known by its initials) would have to take serious account of the persistent claims of our present surplus-producing industries. True, these surpluses are not immutable; true, it is wise to refuse to distort national policy gravely in order to dispose of them; true, and vital, the Government should continue the attempt to foresee and take into account such maladjustments as we may face through the reduction of trading opportunity in foreign markets and to facilitate the necessary shifts of population and of work.

But even when today's Government has undertaken all that it can hope satisfactorily to achieve in this direction, the welfare of very large numbers of our people will remain wrapped up with the fate of those industries that must produce largely for foreign markets. These sections of our population are not restricted to those engaged in the work of direct production for foreign purchasers. There are also, and no less ready to throw their political weight into the scales, manifold interlinking interests whose place in our economic life has been based on our traffic with the outside world. I have in mind, for example, the workers and investors in the trunk line railways, the stevedores who handle cargoes, the workers on wharves and switch lines and trucks, and the holders of properties in our numerous port cities. In consideration of the size and diversity of these interests, it is to be expected that our commercial policy, no matter by what agency conducted, will not be determined solely according to a calculation of the imports which we wish, but in part also on the basis of the immediate need for export trade to maintain present employment.

No change in the method of conducting our foreign trade relations will reduce the present significance of this question. How it would manifest itself, were trade taken out of the hands of private

interests and entrusted to some all-powerful governmental Authority, is indicated by an episode of recent date. Newspaper readers will remember that circles particularly interested in income from cotton production urged that American industrial exports should be banned or restricted, and that foreign purchasing power should be reserved primarily for those who had cotton for sale. A governmental Authority that took upon itself the task of determining in detail exactly what our trade interchange with the rest of the world ought to be, would, I suspect, find the principles which might serve Professor Beard's aims quickly superseded by those that served the diversity of existing American interests. It would be apt to find that it had transferred to its own desk much of the underlying conflict of interests which now works itself out in the everyday operations of the marketplace.

Those whose present occupations are connected with our export trade would inevitably advocate that any program for restricting that trade should not proceed faster than new ways of living were created, rather than that they should be displaced now in anticipation of future satisfactory adjustments. They might even be expected to hold the view that the most satisfactory means of adjustment would be a lessening of those restrictions which are now imposed upon our international trade, and that this would be easier to achieve than the other alternative types of adjustment, and would bring advantage not only to them but to the whole nation. Furthermore, that judgment may be held by those who feel just as deeply as does Professor Beard the stupidity of our committing ourselves to a program of reckless, one-sided, competitive expansion throughout the world supported by all the forces of national power and diplomacy, and without exposing our national destiny to grave risks of unmanageable disturbance from the outside.

In the making of policy, due account should be taken of the abuses and frictions which competition in international trade have created and the disturbing adjustments which they have forced. We should be on our guard against them with the utmost determination. But they should not crowd out of the field of judgment the immense international trade that moves smoothly and advantageously, on the basis of scores of commercial agreements, and that links world interests together in a peaceful way. The main effort and wish of governments is to increase that trade and compose such differences and disturbances as arise. It is true that

national policies are often forced out of the path of true advantage by the pressure of particular private interests. But so long as trade remains primarily a private transaction there at least does not have to be an identification between each transaction and the power urge of the nation. If that trade is brought completely under the wing of the state, the identity is established. The operations of the trading state might escape somewhat the imprint of special interests within its borders; but they certainly would receive instead a deeper imprint from the play of power politics.

One more sample of detail and I am through (tempting though it is to try to trace some of the elaborate administrative ramifications that would grow out of the proposed program). Professor Beard remarks incidentally that if our international trade relations were handled as he suggests, "newer methods" might be available to collect the inter-governmental debts now owed to the United States. Three of the suggested newer methods are particularly puzzling.

1. The debts, it is mentioned, might be employed for the development of raw material supplies in foreign countries. Would the Foreign Trade Authority undertake to acquire sugar plantations in Cuba, tungsten and antimony mines in China, rubber estates in Oceania? Would Government ownership of such distant properties be free from the complications that similar past ventures of private interests have produced?

2. Part of the debt payments, it is suggested, might be utilized in the scheme for the establishment of a stable international monetary system separate from the national monetary system. Does this mean that American opinion would be satisfied to have part of the amount due this Government turned over to the Bank for International Settlements on the condition that the American Treasury should have no relations with that institution?

3. Part of the proceeds, it is further suggested, might be received in this country in the form of imports for distribution among our needy unemployed. Most useful for this purpose would be such commodities as flour, beef, textiles, shoes. Is it expected that Congress will authorize the importation, or does the suggestion mean to assume a wholly reorganized economic society in which the question of competition from abroad will have a wholly different aspect from that which it has at present?

I draw forth such minor details of Professor Beard's exposition

to indicate the view that some of the promises, flickering here and there in his pages, regarding immediate solutions for various international economic questions which now torment American life must be taken to be only advance promises of a future state, not possibilities open to men now in office — advance promises, by the way, colored by precisely the same touching hope that men of one country may be able to sustain reasonable intercourse with men of other countries which elsewhere in the volume is dismissed so decidedly.

## IV

It may be thought by some who have read the book that all this querying about detail, this demonstration of ambiguities and complexities, these hints of unexpected difficulties and consequences, arise from a misunderstanding of the true nature of the author's effort. It may be said that the book was designed to be "future-regarding," to change the content of all future papers, and to modify the nature of all the wills and interests that express themselves therein; in short, that the author was out to shape future time, place and circumstance, and not to deal with the question of what existing time, place and circumstance would make of his general conception were it immediately applied.

Maybe so. But what is novel in the book is not the general aspirations to which it gives expression — those have long been widely shared — but rather the actual bent of policy and program therein put forward as a means of fulfilling them. The fact that Professor Beard shares those aspirations only increases the duty which we have of examining with the utmost care the actual measures outlined as a means of satisfying them. How else know whether in practice the pursuit of the policy which he advocates might or might not annul the very basic aspirations which he sets out to serve? It is with actual circumstances, proposed ways and means, laws and measures, attempts and consequences, that economists and office holders must reckon, and not alone with aspirations. Hence the warrant for this questioning.

To avoid or curtail the mistakes of the past is important. The Government should foster only that international trade which can be peacefully conducted and kept in balance without too great a strain. Its support should take the form of voluntary agreements based on a mutual advantage which other countries recognize. In the case of materials vital for successful national

defense, the Government should assure that we shall be self-sufficient under all circumstances that might arise. Export of essential materials present in our territories in limited and exhaustible degree might wisely be made the subject of governmental concern. Foreign debtors should be called upon to make only that reasonably determined effort that can be expected of any party to a voluntary loan transaction — and to do this in recognition of the honorable obligation they have contracted and the advantages they have obtained from our financial help. Many difficult situations in this latter field are being slowly adjusted, or lie open for future adjustment without any thought to the possible employment of armed force. American enterprise should be accorded protection abroad solely in accordance with an appraisal of national interest. Such protection should remain within the bounds of customary peaceful international usage; the fate of the enterprises in question must rest primarily upon recognition by other peoples that they serve their own development. The total outward expansion of American capital must not again recklessly assume such dimensions as will make the discharge of it a critical problem in national adjustment. The acquisition of distant territories on the wings of expansionist impulses must be avoided.

On these and other points in a sound international economic program I think that agreement can be won today within our country, and made into the controlling precepts of national policy. But Professor Beard would have us go far beyond such rules. He would have us retreat into a much more restricted and supervised type of economic nationalism, which he would in turn make into a newer and better type of nationalism. I cannot judge of the results of his program were it to be put into practice in a successfully operating economic system totally different from our present one — a system in which the place and position of private economic initiative and interest would be fundamentally changed or superseded. But there are compelling reasons to believe that, in the actual economic conditions of today, the pursuit of the policy which he advocates would produce not a newer and better type of nationalism but one given over even more to excitement and hostility, one more easily led in a direction contrary to his own intentions.

## CORPORATE STATE AND N.R.A.

*By Giuseppe Bottai*

FOR over two years the people of the United States have been collaborating with President Roosevelt in his effort to solve American economic and social difficulties. They are aware that the President is concerned not with immediate economic reconstruction only, but with lasting social and economic reform as well. This is why I believe that the American people are in a particularly favorable position to understand the efforts of Premier Mussolini to solve urgent economic problems in Italy and to establish at the same time a new and improved social and economic system.

Fascism came to power in Italy in a moment of profound and violent friction between capital and labor. The conflict threatened not only the country's economic stability but also its political stability. Radical organizations, especially those of the socialists, had obtained a strong hold over the laboring classes and were beginning to give the struggle for economic advancement a decidedly political turn. In addition to the serious economic losses caused by an ever-increasing number of strikes and lock-outs, there was imminent danger of a complete transformation of the political bases of the whole structure of the Italian state. It was primarily to meet and deal with this danger that the fascist movement arose.

### II

Anyone familiar with the history of Europe knows that the associative tendency in human nature has been influenced by two fundamentally opposite forces. There is on the one hand a tendency to combine with other men of similar occupation, either for purposes of protection or achievement. But on the other there is a tendency toward emancipation from these occupational groups and consequently toward individual freedom (as when the French Revolution overthrew the mediæval corporations and proclaimed the freedom of labor).

But the new freedom could not thrive within the narrow geographical limits of European countries. Even today there is an enormous difference between the flexible political and social structure of the United States, a country of vast open spaces, and the



comparative rigidity of the political and social framework of Europe. The difference lies in the possibility of economic initiative offered to men by the territory which is America and the territory which is Europe. In the United States, social conflicts have arisen primarily from questions of *production*. Americans have always sought guarantees for individual economic initiative. In Europe, social conflicts have for centuries revolved around the question of the *distribution* of wealth. Europeans, confined in limited territories, have found rigid organization by occupation or economic groups a valuable means of solving the problems involved in the distribution of wages and profits.

The difference in the two historical processes has been acutely expressed by President Roosevelt in his book "Looking Forward":

The growth of the national governments of Europe was a struggle for the development of a centralized force in the nation, strong enough to impose peace upon ruling barons. In many instances the victory of the central government, the creation of a strong central government, was a haven of refuge to the individual. The people preferred the great master far away to the exploitation and cruelty of the smaller master near at hand.

But the creators of national government were perforce ruthless men. They were often cruel in their methods, though they did strive steadily toward something that society needed and very much wanted — a strong central State, able to keep the peace, to stamp out civil war, to put the unruly nobleman in his place and to permit the bulk of individuals to live safely.

The man of ruthless force had his place in developing a pioneer country, just as he did in fixing the power of the central government in the development of the nations. Society paid him well for his services toward its development. When the development among the nations of Europe, however, had been completed, ambition and ruthlessness, having served its term, tended to overstep the mark.

There now came a growing feeling that government was conducted for the benefit of the few who thrived unduly at the expense of all. The people sought a balancing — a limiting force. Gradually there came through town councils, trade guilds, national parliaments, by constitutions and popular participation and control, limitations on arbitrary power.

After reminding the reader of the decisive duel between Jefferson and Hamilton, between centralism and individualism, President Roosevelt finds in the economic conditions peculiar to the United States the causes for the victory and subsequent development of American economic and political individualism. He continues:

So began, in American political life, the new day, the day of the individual against the system, the day in which individualism was made the great watch-

word in American life. The happiest of economic conditions made that day long and splendid. On the Western frontier land was substantially free. No one who did not shirk the task of earning a living was entirely without opportunity to do so. Depressions could, and did, come and go; but they could not alter the fundamental fact that most of the people lived partly by selling their labor and partly by extracting their livelihood from the soil, so that starvation and dislocation were practically impossible. At the very worst there was always the possibility of climbing into a covered wagon and moving West, where the untilled prairies afforded a haven for men to whom the East did not provide a place.

The social consequences of this environmental difference are reflected in the attitude of the two peoples toward the state. The American citizen has always lived at a distance from his government and instinctively holds aloof from it. The European, by contrast, has always viewed the state as the source of power, security and right. On every institution that the European creates he instinctively desires the seal of state approval. It is demanded by his temperament, his conception of the state's function, his age-old tradition of discipline. This is the historical setting in which Italian corporativism must be interpreted.

In accordance with the dictates of nature on the two continents, the prevailing social trend in the United States has been toward a grouping with a view to production, *e.g.*, trusts, with all the familiar consequences of struggle between vertical blocks; while in Europe the trend has been toward a grouping with a view to the distribution of wealth. Consequently in Europe there has been a separation of the principal elements in production, capital and labor, into two hostile social strata, and a resulting horizontal struggle of classes.

It was only natural, then, that when the wastage of energies in class conflict increased in the period after the war, social reconstruction should have started in Italy with an attempt to reconcile capital and labor in the interests of the nation as a whole, and that we should then proceed, on the basis of that reconciliation, to a new economic organization in a corporative form. And it was just as natural that, in similar circumstances, the United States should have begun by establishing "codes of fair competition" between producers in a given branch of industry, including in those codes definite provisions for regulating the relations between labor and employer organizations and the conditions of work (section 7a of the N.R.A.), and establishing a new form of coöperation amounting almost to a system of self-government in industry. The two tendencies may be described in terms which

show the difference in method but the similarity in substance — in Italy, “coöperation of classes;” in the United States, “coöperation in industry.”

### III

Many of the fundamental principles on which the economic solution gradually evolved by fascism was to rest are to be found in the laws of April 3, 1926, concerning legal control over labor and production, and in the “Charter of Labor” published April 21, 1927.

The first of these laws contained several fundamental provisions: 1. Full legal recognition by the state of those associations of employers, workers, professional men and artists which are designed to safeguard the interests of their members and which are in a position to sign contracts binding upon those members. 2. Equality before the law of employer organizations and labor unions. 3. The establishment of labor courts with power to settle labor disputes affecting either individuals or groups. 4. The prohibition, with penalties, of strikes and lockouts.

In application of the first principle, fascism decided to establish within every major occupational group one legally recognized syndical organization. Each of these syndicates was given prerogatives. It had exclusive supervision over the interests of the whole occupational group in question, and was made its official mouthpiece. It had the exclusive right to regulate, by collective contracts, the labor relationships of all members of that group. It had the right to impose syndical contributions. It had the right to appoint delegates whenever representation was required. And it had the right, accorded at a later date, to recommend to the Grand Council of Fascism candidates for the new Chamber of Deputies.

But before it was legally recognized and vested with these powers the group had to fulfill certain requirements. I shall specify the more important qualifications. A syndicate of wage-earners must have a membership of at least 10 percent of all workers in that occupational group. A syndicate of employers must be composed of members who employ at least 10 percent of the wage-earners in that group. To be recognized, a syndicate must have a social program for the welfare of its members (relief, technical education in the trade or branch of production, and moral and national education). Lastly, a syndicate's officers must be competent, must be of

good moral character, and must be trustworthy in matters of national doctrine.

Syndicalism was thus definitely stripped of the last remnants of those anti-national and international political influences which in the past had tended to lead it astray. It was ready to carry on a definite and well-defined function within the orbit of the national fascist state.

The law of 1926 established the foundations for a rational organization of Italian producers. It divided them into the following groups: agriculture, industry, commerce, credit and insurance, and the professions and arts. At the top of each, with the exception of the last, are two central syndical organizations called "confederations," through which laborers and employers find separate representation. In the field of the professions and the arts there is, naturally, only one confederation. Consequently, heading the Italian syndical structure there are nine national confederations, one representing the laborers and one representing the employers within each of the four fields of agriculture, industry, commerce, and credit and insurance, plus a ninth confederation representing professional men and artists. The numerical strength of these organizations may be indicated by a few statistics. In 1929 there were 4,334,291 Italian employers represented by employers' confederations, 1,193,091 of them actually members of those confederations. In 1933 there were 4,151,794 employers, 1,310,655 of them actually members. As for the laborers, in 1929 there were 8,192,548 workmen represented by four confederations, 3,193,005 of them actually members of those confederations. In 1933 there were 7,019,383 represented workmen, 4,475,256 of them actually members.

A confederation is sub-divided into national federations, each of which represents more directly the various kinds of activity that are involved in the given field of production. They are exceedingly numerous.<sup>1</sup>

The confederation in which the various federations participate functions only as coördinator and supervisor in matters which are of common interest to all the federations established within its particular branch of national production. The federations extend their influence over the whole of the national territory through

<sup>1</sup> The farm proprietors and the farm laborers have four federations each. There are 45 federations of industrial proprietors and 29 of industrial workers; 37 of merchants and 5 of commercial employees; 13 for employers in the field of credit and insurance, 4 for clerks. In addition, there are 22 national syndicates for artists and professional men.

local syndicates which are subordinated to them. In this way each and every branch of production in Italy becomes a part of a legally constituted national organization, though individual members of a given occupational group are free to choose whether or not they wish to enrol in the appropriate organization.

With the full support of the great majority of employers and workers, the syndicates have done valuable work in developing the moral and economic interests of the people they represent. Their activity has covered the fields of social assistance, technical and general education, the perfection of methods of production and reducing costs, and the contractual regulation of labor relations. By disposing of the wage question, the syndicates played an important rôle in stabilizing Italian economy on the 90 percent normal basis. Thus within the nine short years since it was initiated in 1926 the syndical system has spontaneously responded to the needs of the Italian people and has fully realized their expectations.

#### IV

But Italian fascism did not confine its program of reform to the abolition of open conflict between economic classes and groups. It was not enough to suppress strikes and lockouts, to give legal personality, and therefore political responsibility, to occupational associations. These steps taken by themselves represented liquidation of the past rather than preparation for the future. They were soon to be carried much further. Fascist syndicalism was to become more than a mere method of organization. It was to become a vital system destined to represent an active force within a new national society.

The fascist state admitted to full citizenship — on a par with such traditional units as the individual, the family and the town — the syndicate, which like the family and town embraces and supplements the individual. Through this new medium the individual can realize the true self-determination which is synonymous with liberty.

The great achievement of fascism, therefore, is to have clarified interests and to have harmonized them with those of the state. The syndicates, far from being exclusive in membership and selfish in outlook, participate in the national well-being and contribute to its vitality and growth. The state would have failed both to protect the citizen and defend itself had it continued to allow

national life to be buried in the ruins of the struggle between worker and employer.

Fascism established, as the legal boundary for state action, respect for national interests and national production. Beyond that boundary it gave free play to individuals in settling their differences. The individual is thereby protected by a twin order of considerations. If he joins the syndicate and participates in its activities, he finds himself automatically performing functions not merely of a private but of a public nature. If he chooses not to join the syndicate, he none the less enjoys the results of syndical activity. For the latter extends throughout the whole branch of production, regardless of whether an individual is or is not a member of the syndicate. Italian law has always insisted on the universality of syndical activity. But it also guarantees the voluntary character of syndicate membership.

It may be objected that the impulse toward syndicalism or occupational grouping is lessened unless all producers are members of the syndical organization. But one must not force the rhythm. No social structure can be reared on arbitrary foundations. Moreover, in the present development of economic organization in Italy, the quantitative requirements demanded by law for recognition of a syndicate are, from the theoretical point of view, a sufficient guarantee of the continued efficiency of syndical activity. In practice, virtually all the individuals engaged in certain branches of production have joined the syndicates. This can only mean a complete correspondence between syndical law and the needs of the producing population.

## v

What is it which has facilitated the transition of the new Italian economic system from its first phase, purely syndical, to its present corporate phase? The answer is to be found in the fusion of the ends and objectives of individual occupational groups with those of the nation as a whole. The organ through which this fusion of interests takes place is the corporation.

After the organization of Italian syndicates in a unified hierarchical system (confederation, federations and local syndicates), the task confronting the fascist state was to devise a liaison between the organs at the top of the structure. Without a system of horizontal connecting organizations, the syndicates would be isolated, they would be walls without a roof. The fascist corpora-



tions serve as the connecting links. Thereby the various syndicates are brought into contact with one another and can collaborate with the government in the improvement of national production.

It will not be necessary to discuss the evolution of the Italian corporation in detail. Suffice it to say that as far back as 1926 corporations were established as connecting organizations between the various syndical associations. But it was only in 1930 that the reorganization of the National Council of Corporations definitely oriented the whole syndical movement toward its new and corporate phase. The transition is still taking place. This does not mean, however, that syndicalism as such is disappearing. The syndicates continue to carry out their essential functions without which corporative action would be meaningless and impossible. "Syndicalism," Mussolini writes, "cannot be an end in itself; it either exhausts itself in political socialism or is bound to converge toward the fascist corporation. For it is in the corporation that economic unity in its various elements (capital, labor, and technique) is realized. It is only through the corporation, that is, through the coöperation of all forces converging toward a single end, that the vitality of syndicalism is assured. In other words, syndicalism and corporativism are interdependent and mutually conditioning. Without syndicalism the corporation is not possible, and without the corporation syndicalism spends itself in its preliminary phases."

Hence corporativism, the logical outgrowth of Italian syndicalism, does not mean the suppression of the syndical movement. The fact that the corporation is an organ of the state does not in any way impair the autonomy of syndical associations. When corporations and syndicates meet, one of them does not necessarily give way. This is clearly implied in the provisions of the laws passed in 1926 and 1930, and is repeated also in the recent law of February 5, 1934, on the establishment of corporations.

## VI

What, then, is the Italian corporation?

The National Council of Corporations in November 1933 defined the corporation as "that instrument which, under the control of the state, helps in bringing about an organic coördination of the nation's productive forces with a view to furthering the economic well-being and political strength of the Italian people."

The Council added that "the number of corporations to be established within the various major fields of production must, on the whole, correspond to the real necessities of the nation's economy. The general staff of the corporation must include representatives of the organs of the government, of the Fascist Party, of capital, labor, and of technical men." The Council also assigned to corporations "the specific tasks of conciliation and of consultation, and, through the National Council of Corporations, the task of passing laws designed to aid in regulating the economic activity of the nation."

By the law of February 5, 1934, these legal criteria were put into actual practice, the Italian corporation being given definite powers not only in the field of syndical coördination but also in the more important one of the coördination of national production. Articles 8, 10 and 11 of the law discuss in detail the power of corporations. Article 8 decrees that the corporation has the power "to determine rules for the collective regulation of economic activity and for a unitary regulation of production," a broad and sweeping statement purposely adopted in order to give the utmost flexibility to the newly-established organs. The fundamental reason for intervention in productive activity has been stated by Mussolini: "Economic activity of a purely private and individualistic character does not exist. From the day when man first became a member of a social group, no act which an individual undertakes begins or ends in himself. It has, on the contrary, repercussions which go far beyond his own person." Article 10 empowers the corporation to establish rates for economic services and consumption prices of those goods offered to the public under monopolistic conditions. Article 11 describes the legal means for enforcing rates for monopolistic services and prices. Thus the regulation of national production is entrusted to an organ, the corporation, which includes not only the syndicates (*i.e.* representatives of employers and of workers), but also the representatives of the Fascist Party (*i.e.* spokesmen for the community as a whole) and representatives of the various departments of the government.

The corporation itself thus becomes an organ of the state. It operates within the state and under its direct supervision. Consequently, fascist economy is not only a controlled or regulated or planned economy. It is something more: it is an organized economy. It is organized because of the coöperation of all productive

forces under the control of the state. Neither state nor corporation takes production upon itself. Production remains in the hands of private industry, except in those rare cases where the state engages directly in production for political reasons. It is only the regulation, the coördination and the improvement of production which are entrusted to the corporation. The modern Italian corporation is essentially different, then, from the mediæval corporation. The latter frequently found itself in open conflict with the state. Moreover, it regulated and controlled production in the selfish interests of its occupational group without regard for the interests of the consumer and the social group as a whole. The fascist corporation, while accepting the collaboration of various interested groups, embodies in its rules and regulations the general interests of society. The originality and effectiveness of the fascist solution lies in this new concept of the corporation.

## VII

Fascist Italy no less than the United States has endeavored to bring economic life under the regulation of public law. "As I see it," writes President Roosevelt, "the task of government in its relation to business is to assist the development of an economic declaration of rights, an economic constitutional order. This is the common task of statesmen and business men. It is the minimum requirement of a more permanently safe order of society. Happily, the times indicate that to create such an order is not only the proper policy of government but is the only line of safety for our economic structure as well. We know now that these economic units cannot exist unless prosperity is uniform — that is, unless purchasing power is well distributed throughout every group in the nation."

This is what Mussolini is endeavoring to accomplish, when, by translating the economic conception into an ethical one, he perfects the organs which are to bring about greater social justice. What, exactly, is greater social justice? Mussolini defines it as "the assured right to work, an equitable pay, a decorous dwelling, the possibility of constant evolution and constant betterment." It means "that workers must acquire a more and more intimate knowledge of the productive process and learn to participate in its necessary regulation." The problem is one both of production and of distribution. "Modern science," observes Mussolini, "has succeeded in multiplying wealth. Science, controlled and stimu-

lated by the will of the state, must now apply itself to solving the other great problem: that of the distribution of wealth, of ending the illogical and cruel phenomenon of misery and hardship in the midst of plenty."

The same vision of a society organized on a more stable basis and on principles of greater social justice animates the two national leaders; and the common ideal, strongly felt by both nations, is clearly reflected in their work. The instruments used in that work vary in conception and in detail, but the similarity of the ultimate goal makes possible analogies which have very deep significance.

The cardinal principle underlying the organization of the Italian corporation is that of the "productive cycle." A complete cycle of production extends from the recruiting of raw materials to the marketing of the finished product. Each corporation includes representatives of all major phases of the cycle.

The twenty-two newly-established Italian corporations have been divided into three main groups. The first group includes corporations representing a complete productive cycle. Among these are the corporations of grain and grain products, of viticulture, of sugar beets and sugar, of animal husbandry, fishing, and related products, of wood and wood products, of textiles and textile products. In the second group are corporations including only an industrial and commercial cycle. Among these are the corporations of the chemical industries, of the clothing industry, of the paper and printing industry, and of the building trades. The third group of corporations, the members of which are engaged in the production of services, includes the corporations of the liberal professions and arts, of credit and insurance, of sea and air transportation. Each corporation includes representatives, in equal number, of the workers and employers within the given field, and representatives of the Fascist Party and of the government. The presidency of each corporation is vested in the Minister of Corporations, while the vice-president is a member elected from the representatives of the Fascist Party. As has already been explained, among the important functions entrusted to the corporations are the regulation of national production, the coördination of collective labor relations, the settling of labor controversies and the task of acting as consultive organs to the national government.

There are many fundamental points common to the programs

of President Roosevelt and Premier Mussolini. Both desire a more equitable distribution of wealth, the establishment of a more solid social equilibrium, and the elimination of the disturbances introduced into this equilibrium by the rise of powerful financial and industrial interests. But if the fundamental interests are the same, the means of action are quite different. Premier Mussolini endeavors to realize the ideal of greater social justice through the machinery of syndical and occupational representation and the transformation of unitarily organized economic groups into organs of the state. In the American program there still remains a definite separation between the state and the organizations of producers. In the United States there is still to be found on the one hand the state with its bureaucracy (the N. R. A. and its legal, research and planning divisions) and on the other the private producers, organized or unorganized, and free to act as they please except for such limitations as the government may impose. In this distinction lies, to my mind, the greatest difference between the two programs of social action.

Despite this difference, there are evident similarities between the Italian and American programs. These similarities are to be found primarily in the field of collective labor relations and in the institution established for the conciliation of labor disputes. Although they have similar objectives, even the labor institutions are not the same in the two countries. In the United States the newly-instituted National Labor Board acts only in an advisory capacity. In Italy the labor courts have authority to hand down definite verdicts; they can, moreover, prevent any recourse to strikes, lock-outs, or other violent means of class warfare. Another difference between the two programs is that in the United States the actual elaboration of codes rules and principles, including those in the field of labor relations, lies, despite the supervision of the government, primarily in the hands of the employers. In Italy, on the contrary, labor relations are settled by negotiation between syndical organizations of employers and workers, both of which have equal rights and legal status.

The American codes are intended not only to regulate collective labor relations but also to limit competition and unfair trade practices. But since they are drawn up exclusively for and within individual industrial groups, proper coördination among these various groups is difficult and uncertain. The result seems to be the triumph of the interests of the individual industrial group

rather than the triumph of the interest of the community. In Italy, as we have seen, regulation of competition, questions of limitation of production and prices, of collective labor relations, etc., fall within the province of the corporation and of the National Council of Corporations. These institutions are in a much better position than is any one isolated industrial group to regulate not only particular group interests but also the interests of the community as a whole.

The success of American reform in the industrial field is bound up with the codes of fair competition. It will be interesting indeed to follow the further development of the experiment and to see how the American people, within the limits of their own traditions and institutions, will find a solution to the problem of state regulation of the forces of national production. A return to a system of absolute economic individualism is out of the question. There seem to remain only two possible directions in which further development can take place: increased state intervention and bureaucratic control, and the elevation of the nation's productive organizations to the dignity and responsibility of autonomous and self-governing organs of the state. The whole past of American civilization definitely points against the adoption of the first solution. For the second there is still lacking, at least at the present time, the indispensable legal framework to give a unity of purpose to a system of syndical or occupational representation. A corporate regulation of production in the Italian sense could only be achieved if, in the present codes, substantial changes were made permitting a much broader participation of labor. But given the present situation, it would seem that American public opinion must change greatly before the state, capital, and labor will be in a position to move harmoniously toward their common goal. In Italy a good part of the journey has already been completed. An equilibrium has been established, without a complete fusion or loss of individuality, between capital and labor, between labor and the state, and between the state and capital.



## A "NEW DEAL" FOR BELGIUM

*By Charles Roger*

AT THE end of March a new Belgian government of national union was constituted, with the coöperation of the three chief Belgian parties — Catholics, Socialists and Liberals — and with Paul Van Zeeland as Prime Minister and Minister for Foreign Affairs. The program of economic recovery which this government presented to Parliament is inspired by new principles and utilizes new methods.

In its monetary policy the Van Zeeland government was obliged to take cognizance of the new situation created by the *de facto* suspension of the gold standard on the day when the late Theunis government had taken over control of exchange. The Premier therefore announced that he was forced to devalue the belga slightly, in order to obviate a serious economic and banking crisis. This new orientation of the monetary policy was a direct challenge to current public opinion and to the ideas held by the majority of Parliament.

In order to restore confidence in the banking system, which threatened to be badly shaken, a series of financial measures was proposed: a state guarantee of bank deposits, should that prove necessary; the creation of a National Institute for Rediscount and Guarantee; the creation of a Central Mortgage Institute; and, finally, the coördination of the banking system with government policy.

By way of general measures of economic expansion, the new government chiefly contemplated a rise in wholesale prices sufficient to put business once more on a profitable basis, a gradual and moderate rise in retail prices and the cost of living, a general lowering of interest rates as a preliminary to the conversion of government securities, the wholesale reduction of taxes, the supervision of stock exchange operations to prevent undesirable speculation, and the adoption of a public works program. A Bureau of Economic Reform, with the Prime Minister as chairman, was entrusted with the task of coördinating and harmonizing these efforts. As for social policy, the government announced a program for the gradual organization of the professions. And in the field of foreign economic policy, commercial relations with the Soviets were to be developed on a basis of reciprocity.

Inevitably there was criticism of the program which I have roughly outlined, on the score that it was a slavish copy of the American New Deal. In Parliament several speakers made this remark, among them Henri Jaspar, a former Prime Minister, who violently opposed the abandonment of the old gold parity. "This program is no novelty," he said. "Everything about it, even its title, is borrowed. We know the New Recovery Deal in America. We know where the inspiration came from. Elsewhere money has been devalued by decree, banks put under control, and economy controlled. I am very much afraid that the Prime Minister is being too deeply influenced by his reading and by his travels. Travelling educates youth, but sometimes distorts it. The United States devalued the dollar, as a result of the surplus of bank credit and the ruin of the farmers, with the intention of raising domestic prices. But the consequences did not correspond to the plan. The American unemployed have not been put back to work. Controlled economy has proved a fiasco. American foreign trade has shrunk 75 percent. Recent statistics show that there are twenty millions on relief in the United States and that one-third of the population of New York is now living on charity or public assistance. Devaluation and controlled economy are not the remedy for economic evils. The United States stretches over a whole continent, has all essential raw materials at its disposal, and is protected by formidable customs walls. Yet its experiment was unsuccessful. And we are much less fortunately situated."

Many articles in the Belgian and French press repeated the same theme. This was natural in view of the sympathy with which the new Prime Minister had followed the American experiment. He has lived in America and knows it well. He holds a degree as Master of Arts of Princeton University, and he returned to the United States in 1933 to give a series of lectures at Johns Hopkins University, at which time he watched the first phases of the Roosevelt experiment.

On his return to Belgium M. Van Zeeland made his impressions public on several occasions, but it is not to be concluded that his praise of President Roosevelt was entirely uncritical. Replying to the speech of M. Jaspar, which I have just quoted, he said: "Much has been said about the Roosevelt plan and its application. I maintain that President Roosevelt's action helped the situation with which he was confronted when he came to power. I have the greatest admiration for him. I say this with hesitation.

I felt more than admiration for President Hoover. He made an extraordinary effort to save his country. He failed. President Roosevelt has succeeded. His country continues its orderly life, despite certain partial setbacks. I have two serious objections to the work of Mr. Roosevelt. The first concerns the reduction of working hours at the same time with a rise in wages. The second concerns his monetary policy. In the United States devaluation was voluntary. If he had adopted a policy of expansion, he would have put an end to the world crisis. I wrote this some time ago. Here, too, we defended the franc. I myself said that we must defend it. But the moment came when this was no longer possible as a primary objective."

There certainly are points at which the new Belgian policy and President Roosevelt's New Deal run parallel, but the analogy must not be pushed too far. Closer study shows essential divergencies between certain of the guiding concepts, and also between methods and the way in which they are applied. The Belgian reforms do not aim at a premature revival of business by the artificial manipulation of wages, hours of work, prices and currency. The aim is more limited and less ambitious. Our recovery program starts from the basic principle that, before the devaluation of the belga, Belgium's purchasing power was at a disadvantage of about 28 percent. This disparity had compelled previous governments to adopt a deflationary policy which worked out unfairly in practice and upset the country's economic equilibrium. The objective is to restore internal equilibrium and to favor economic expansion on this new basis.

All my references to American politics are made subject to reservations, as it is difficult at this distance to estimate the Roosevelt experiment accurately. Generally speaking, such news as we get from the United States is often incoherent. The comments of the leading newspapers seem mostly unfavorable. Public opinion is apparently baffled by the empirical character of the experiment, by its complexity, and by the elliptical nature of many of President Roosevelt's statements. Even those of us who follow events closely have the greatest difficulty in forming a precise idea of events as they occur on the other side of the Atlantic. Therefore, when I mention certain points of similarity and divergence between Belgian and American policy my remarks are subject to reservations so far as the United States is concerned.

## II. WHY THE BELGA WAS DEVALUED

First of all I must try to place the new Belgian economic policy in its general setting.

The fundamental reason why our economic situation has been so difficult in recent years was the disparity in purchasing power between Belgium and most of the other nations which had abandoned the gold standard, especially those on sterling. Before September 1931 the disparity in purchasing power had been the other way about, being between 15 and 20 percent in our favor. But the depreciation of the pound sterling transformed the situation, and created in the end a disparity of purchasing power between Belgium and most of the rest of the world of some 28 percent. Now Belgium is a small country which is not self-sufficient. International trade is of primordial importance. The Belgian Government was therefore in a dilemma: either to devalue the currency or lower costs by the classic methods of the policy of deflation.

Remembering an experiment in currency inflation which terminated in the stabilization of the franc in 1926, public opinion was resolutely hostile to all currency manipulation, and the various governments which asked for special powers in the course of 1934 put the maintenance of the franc at its gold parity at the head of their deflation programs. In a strictly technical sense it is true that the currency problem did not arise; the gold reserve of the National Bank of Belgium amounted to about 65 percent. But, from an economic point of view, it was necessary for Belgian costs to be lowered in order to enable the export industries to meet international competition successfully.

Theoretically the deflation program was perfect. It included the reduction of fiscal and financial charges, taxation relief, a reduction in the cost of living, a cheap money policy, the maintenance of budgetary equilibrium. But in practice the policy encountered a formidable obstacle: the rigidity of the various elements in the cost of production. In spite of all efforts, and in spite of partial successes, the disparity between Belgian and English prices grew continually worse. As it was carried out, the policy of deflation was excessive and led to contradictions. The government wanted to discourage hoarding by stimulating purchases, but at the same time it announced further reductions in price, which encouraged hoarding. From the agricultural point of view, the comparison

between Belgian costs and foreign costs, the latter lowered by the practice of monetary or other dumping, forced the Belgian Government to take protective measures and to establish quotas in favor of the farmers. This resulted in a rise in the cost of living, which was contrary to the general policy of the government. The same phenomenon occurred with coal, certain chemical products, and many manufactured goods.

It cannot be denied that in many fields the fall in Belgian prices had reached an exaggerated stage. Far from restoring an equilibrium, the policy of deflation was unequal in its effects, and most Belgian businesses showed a loss. In 1934, out of 7,334 joint stock companies more than 3,000 operated at a deficit. There naturally was an increase in unemployment. Because of this unemployment, even allowing for the reduction in the cost of living, the purchasing power of the working class was reduced one-fifth in comparison with 1929.

Because of this lack of return on money invested, the money rate had to remain high, which made impossible the conversion of government securities. Furthermore, the disappearance of taxable sources of revenue reduced receipts, which seriously compromised the budgetary equilibrium. That the increase in real charges was even greater becomes evident when we consider that the bonded debt of the joint stock companies rose from 4,000 million Belgian francs to 10,500 million between 1929 and 1934. During the same period the index of retail prices fell 28 percent and that of wholesale prices 43 percent. From 1929 to 1934 the tonnage of Belgian exports fell 20 percent, while the value of exports fell 56 percent. These figures demonstrate the extent of the business losses incurred by Belgian enterprises. The annual index of production (based on the years 1923-1935) had declined 42 percent in 1934 compared to 1929. National activity decreased to a point lower than that reached at a time when economic recovery after the war was not yet complete, and this despite a considerable increase in the means of production.

Because of the relatively close ties between the banks and numerous industrial enterprises, the unfavorable economic situation necessarily involved the banks in difficulties. On several occasions previous governments had been obliged to help them out. The help had been useful, but it was temporary and insufficient. In the circumstances, the tendency to hoard could not but become more pronounced, and Belgian capital migrated to coun-

tries where a halt in the policy of deflation had restored a margin of profit to industry.

Here we come to the immediate reasons for the devaluation of the belga. A first wave of gold withdrawal from the National Bank of Belgium had occurred at the beginning of 1934, but an important part of this gold was subsequently recovered. A second wave occurred in June, and a third and much more important one in October and November, before the resignation of the de Broqueville government. Since October the National Bank has lost 2,000 millions of gold francs. On the day when the Theunis government received a vote of confidence from Parliament, this movement stopped; but contrary to what happened before, the gold that had been withdrawn did not return to the Bank.

A more serious fact was that the gold was not purchased with hoarded money. The public withdrew its deposits from private banks. But the banks were already short of available funds, and the loss of the deposits exhausted their assets. The weak point in the situation, which was the direct and immediate cause of the devaluation of the belga was, therefore, the difficult position of the private banks, arising out of the withdrawal of deposits, and not the technical position of the bank of issue, which remained solid. The export of capital had increased considerably at the beginning of March, because the further fall of the pound sterling in relation to the gold currencies had accentuated the divergence between Belgian and English cost prices, thereby almost nullifying the efforts of eight months of deflation in Belgium.

As the gold losses were particularly heavy on March 16, the Theunis government decided on the control of exchange, and next day resigned. This meant practically going off the gold standard, and M. Theunis realized that the corollary was the devaluation of the franc. A final effort had been made during the visit of the Belgian ministers to Paris on March 15, with a view to obtaining certain economic advantages. The result had been negative, and the government resigned to make way for the National Union Government. The modification of the Belgian monetary system was the result of economic difficulties. We had to choose between sacrificing the currency and sacrificing the national economy — the banks, business, and industry.

There were no alternative solutions. If we had wished to preserve the gold parity of the franc, we should have had to engage in a policy of economic expansion on that monetary basis. This



would have meant a system of autarchy, of economic nationalism. The Belgian economy, which is dependent for its existence upon exports, did not permit of our isolating ourselves from the rest of the world. On the other hand, it was absolutely impossible, from an economic no less than from a social and political point of view, to continue along the road of deflation followed by previous governments. The evidence already adduced is sufficient proof. Those who know the state of Belgian public opinion at the time when the Van Zeeland government came before Parliament realize how courageous it was to brave the feelings of the majority, who wished to maintain the franc at its gold parity, without suspecting what that would involve.

### III. COMPARISONS WITH AMERICA: DEVALUATION

The devaluation of the belga, then, was not voluntary. As Prime Minister Van Zeeland said in his speech to Parliament, Belgium was pushed off the gold standard. The fundamental reason was the difference between international prices governed by the pound sterling and Belgian costs. This explains why the depreciation was fixed at between 25 and 30 percent. As a matter of fact, Belgium's disadvantage in purchasing power was estimated at 27 or 28 percent. By choosing this rate of devaluation Belgium approximates Belgian prices to the level of world prices and suppresses those tendencies which would have resulted in debasing the currency. For the present, the belga has been stabilized at 72 percent of its old parity. The definitive rate will be fixed later on, when an international arrangement has been made to stabilize the principal world currencies on a gold basis. The Belgian Government hopes that day will come as soon as possible. Meanwhile a fund for the equalization of exchange has been set up to maintain the stability of the belga on its present provisional basis.

The devaluation of the belga, therefore, cannot be compared to that of the dollar, which was undertaken voluntarily and with a more ambitious object in view. On several occasions President Roosevelt has declared his intention of causing a rise in American domestic prices in order to relieve the debt burden. If at the beginning it was the President's intention to obtain a general rise in prices approximately equal to the gradual increase in the price of gold, it would seem that the results so far must have caused a certain disappointment, since the general index of prices has in-

creased only 30 percent, or thereabouts, whereas the price of gold had risen 70 percent. No doubt it is too early to draw conclusions. Agricultural and raw material prices have risen appreciably, and when we try to determine the reasons and the part played by devaluation we find the problem becoming highly complicated. A number of other factors, having no monetary significance, must be taken into account, particularly the drought of June 1934, the program of crop curtailment, and the policy of industrial codes. Without passing judgment on these diverse measures of President Roosevelt, I shall content myself with pointing out that the devaluation of the belga was effected in different circumstances, and that it cannot be compared to the devaluation of the dollar in respect to the principles which dictated the operation.

#### IV. COMPARISONS WITH AMERICA: THE RISE IN PRICES

The Belgian price policy also must be considered as a readaptation of conditions for a return to normal. The index of Belgian wholesale prices had particularly shown the pressure of world prices. Consequently, devaluation should cause them to rise rapidly. As for retail prices, which reflect the trend of costs in a more general way, the government feels that they should rise gradually and moderately. Their rise should not correspond to the rate of depreciation, since, as a result of devaluation, Belgian prices are merely joining the level of world prices. But as Belgium imports about 25 percent of her foodstuffs and raw materials (of wheat 75 percent), prices in these categories must rise. Previous governments wished to prevent an excessive fall in agricultural prices by means of licence taxes and quotas. The relaxing of these quotas and the abolition of licence taxes will make it possible to avoid a rise in prices proportionate to the rate of devaluation. Furthermore, the Belgian Government holds that the present level of retail prices is abnormally low, and that a rise of 10 to 15 percent would restore them to their 1931 level, thus permitting a revaluation of real property and stocks, which have been artificially depreciated.

The text of the government statement concerning its price policy is worth quoting:

Our entire policy will be turned in the direction of economic expansion, the only true method of ensuring the elimination of unemployment.

Business recovery depends upon the restoration of the profit margin. No

business can continue to function at a permanent loss. Our efforts will be concerned with both prices and production costs.

So far as prices are concerned, we feel that the fall must be stopped, because in every category it has certainly gone beyond the point of economic equilibrium. Wholesale prices will rise certainly and rapidly, as a result of the monetary measures adopted. Thus will be reduced the abnormal disparity which persists, despite all our efforts, between wholesale and retail prices.

Regarding the latter, we feel that a gradual and moderate rise is desirable in the present state of affairs. We see in this a means of relieving the critical situation of the middle classes, particularly those engaged in retail trade. The ideal, of course, would be perfect stability. We shall see to it that there is no rapid rise, and to that end we shall use every means at our disposal. Without abandoning the legitimate protection of our agricultural interests, we shall take care that the system of quotas and licences does not cause an additional rise in prices.

It is, however, chiefly by means of sustained and energetic measures dealing with various factors in the cost of production that we propose to give business back the margin of profit which is indispensable to its continued activity. To this end we shall particularly strive to alleviate the financial and fiscal burdens which handicap enterprise. We shall pursue a definite policy of abundant and cheap credit. The measures which we have taken with a view to banking reorganization will have provided us with the necessary basis.

We see, therefore, that the Belgian Government hopes to promote business recovery, and thereby increase the purchasing power of the masses, by restoring the margin of profit in business undertakings, which will be facilitated by the reduction of fiscal and financial burdens. In order to help this recovery and to hasten the return of the unemployed to work, a public works program is under consideration, but there is no question of stimulating mass purchasing power by artificial means. Thus it is stipulated in the government statement: "During the transition period we shall do all that lies in our power to give *real hourly wages* a stability which will facilitate business expansion. . . . By increasing the total of salaries paid the working class as a whole, that is, by putting the unemployed back to work and eliminating workless days, we hope to restore the former standard of living in Belgium."

Here, I believe, the Belgian policy perceptibly diverges from the principle which seems to have been the basis of various important measures adopted by the Roosevelt Administration. The latter appears to have aimed to increase the purchasing power of the people, not only by monetary manipulation, but also by artificially increasing wages while reducing working hours. As regards agricultural prices, the increase of these with a view to

stimulating the purchasing power of the farmers was sought by a reduction of crops and the payment of a bonus to those consenting to reduce the area of cultivation. As regards industry, it would seem that the policy of N.R.A. codes has succeeded in assisting the production of consumers' goods, but has failed to stimulate producers' goods. In Belgium, on the contrary, the government is trying to assist immediately those industries which had suffered most from the pressure of world prices, in such wise as to restore a more equitable balance between producers' goods and consumers' goods. The mining, glass, and textile industries, all particularly hard hit since 1931, will certainly find their position improved during the course of the next few months, as a result of the increase in wholesale prices, which will not be followed by an equivalent rise in retail prices.

In agriculture, Belgium has no intention of adopting American methods. The adjustment of the currency favors Belgian agriculture directly by protecting it from the dumping of cheap-money countries. Nor is there any question of reducing crops artificially (they actually are insufficient to meet the needs of national consumption) in order to equalize the purchasing power of agriculture and industry on a pre-war price basis. That experiment is specifically American.

#### V. COMPARISONS WITH AMERICA: RELIEF

Now let us turn to social legislation. On this point it may be said that the United States is now trying to reach the level which Western European countries achieved a number of years ago. Unemployment insurance and old age pensions were organized in Belgium after the war. Belgian unemployed are directly supported on a daily dole; but the present government will try to some extent to substitute payments for useful public work for this direct dole, by means of a program of public works. It is out of the question, however, that public works expenditures in Belgium should ever reach the proportions of these now current in America, nor is the creation of work camps contemplated.

The financing of a too ambitious public works program would add to the public debt at a time when the latter already absorbs a third of the ordinary budget expenditures. Further, when public works expenditure reaches such dimensions, one may well ask whether it is not coming into direct competition with private enterprise, which thereby is discouraged instead of being stimu-

lated. On the other hand, a moderate program of public works in Belgium would facilitate a return to the state of domestic equilibrium which is the present government's objective.

#### VI. COMPARISONS WITH AMERICA: THE STATE AND THE BANKS

From what I have already written it will have been evident that intervention by the state in the country's general economy has not gone so far in Belgium as in the United States. This is further confirmed by an examination of the banking reorganization in Belgium.

Until 1934 the structure of Belgian banking remained intact. Financial institutions had succeeded in surviving the crisis without outside help. But at the beginning of 1934 a panic caused by a sharpening of the crisis led to the withdrawal of deposits. The Belgian Socialist Workers' Bank, whose importance was secondary and whose situation was intrinsically unsound, got into difficulties, as did the socialist coöperative societies. To prevent the panic from spreading, the government decided to come to the assistance of the bank by a loan to the coöperatives. Repayment was to be made later by the coöperative societies out of their profits. But a strong reaction in public opinion prevented the bank from being saved, and the socialist coöperative societies received limited credits, subject to strict guarantees. In the summer of 1934 a new wave of uneasiness led the de Broqueville government to create a system of credit expansion. Two thousand millions in obligations were to help the National Society of Credit for Industry. As a matter of fact this expansion of credit did not occur, but the worst had been avoided. In November the Boerenbond and the Flemish Catholic coöperative societies needed government help.

At the beginning of 1935 wholesale withdrawals of capital were resumed on a still larger scale. The pressure of deflation was weighing more and more heavily on the country. Immediately the new Van Zeeland government took steps to avoid a banking moratorium. It declared that if necessary it would go so far as to guarantee bank deposits. But the new trend in economic policy induced huge returns of capital, thereby obviating the necessity for a decision of this kind.

In order so far as possible to avoid the recurrence of such difficulties, the Van Zeeland government is planning important reforms. To facilitate the expansion of credit, an Institute for Re-

discount and Guarantee will enable the banks to undertake a more bold credit policy and to grant direct discount to producers without any other effective protection. The government also intends to develop the market for short-term private bills, following the British model. As an essential reform, the government intends to set up a control of banks. Its view is that the separation of deposit banks and business banks, decreed by the de Broqueville government on August 22, 1934, is not sufficient to prevent future mistakes.

Before joining the present government, the Socialist Party had adopted as their program the so-called "De Man Plan," the author of which is at present Minister of Public Works and Relief. This program, inspired by doctrinaire considerations, demanded the control of credit and the nationalization of the banks. In agreeing to cooperate with the government, the Socialists temporarily abandoned certain of their demands. The ministerial statement does not include state participation in the capital of the banks, as demanded by M. De Man. For the moment, the Socialists are satisfied with regulation of the banks and control of credit by the National Bank or some other organization. They thus have evinced a spirit of cooperation at a time when it was imperative that all agree on a minimum program.

Although the banking system of the United States is hardly comparable to that of Belgium, it would seem that under President Roosevelt intervention by the state has proceeded further in America than in Belgium. Long since regulated by legal statute, the American banks must comply more and more with Federal instructions, so far as the expansion of credit is concerned. They are compelled to accept large quantities of government securities, which makes their solidity and liquidity dependent on the Administration's financial policy. As a result of the governmental guarantee of deposits, their solvency also depends upon the state. The banking clean-up of April 1933 was conducted according to the classical rules; but it appears that since then nationalization of the banks has been pushed further ahead.

#### VII. COMPARISONS WITH AMERICA: THE STATE AND PROFESSIONAL ORGANIZATIONS

Without going so far as the American law of June 13, 1933, which instructed each profession to draw up a code of fair competition designed to safeguard the interests of employers, employees,



and consumers, Belgian legislation is nevertheless moving in that direction. On January 13, 1935, the Theunis government permitted the institution of economic regulations governing production and distribution. Addressing the Minister of Economic Affairs, it directed: "Any group of producers or distributors may request that there be extended to all other producers or distributors belonging to the same branch of industry or commerce, a voluntary agreement regulating production, distribution, sale, exportation, or importation." In order to forestall sudden decisions which might favor particular interests, a precise form of procedure is provided. This Belgian law, therefore, is not so comprehensive as the American or Italian legislation in the same field.

The new government intends to proceed further in this direction. It proposes to create organizations of an intermediary nature, professional groups, which shall themselves fulfil the economic functions of which they are capable, without state intervention. At present it is difficult to foresee to what extent these projects will be realized.

#### VIII. CONCLUSION

It will be seen that very probably the new policy of the Belgian Government is to be a policy of controlled economy, particularly in view of the personal ideas of Premier Van Zeeland and the Minister of Public Works. Their doctrines will differ. The one, a Catholic, will be inspired by the teaching of the Encyclical *Quadragesimo Anno*; the other, a Socialist, is a partisan of a more advanced form of nationalization. But both agree as to the immediate necessity for state intervention in the economics of the country. It is hard to say to what extent a program of controlled economy can be put into practice in Belgium. Public opinion is in the main definitely hostile to it. As for the manner and methods of intervention, these will depart considerably from those employed in the United States, due principally to the fact that the conditions of application are different.

## HOW CHILE HAS MET THE DEPRESSION

*By Ernesto Barros Jarpa*

**M**Y TASK is to outline the financial and economic situation in Chile, going back for that purpose to the threatened collapse of our national structure in the maelstrom of world depression, and the forces which the Chilean Government employed to combat that threat. A nation's problems often fail to awaken much sympathetic attention abroad; an earthquake in Asia involving a loss of thousands of human lives commands less interest, as expressed in the columns of the daily press, than a train wreck or a local fire. However, the toll taken by the world depression may have brought us all somewhat closer together in the sympathy of a common tragedy. Specifically, the course taken by the crisis in Chile has so closely paralleled developments in the United States that each people may be ready to take a sincere and friendly interest in the other's misfortunes and in the steps which it has taken to recover the ground lost in the economic landslide of 1929-32.

By any reasonable measure Chile has suffered more bitterly from the world crisis than almost any other important nation. Our exports dropped from \$278,000,000 in 1929 to the insignificant total of \$42,000,000 in 1932, and this 85 percent slump could not but entail acute suffering for the entire Chilean people. It must be remembered that with us the export trade is the very foundation of the national economic structure and not, as in some more self-sufficient countries, merely a desirable adjunct to domestic trade. The effects of the drop in internal purchasing power following the shrinkage in exports were immediately and everywhere apparent. Farmers found it impossible to dispose of their crops even at ruinous prices, and, consequently, they had no way of meeting their obligations. The position of those dependent upon industry was scarcely less acute. Add to this the fact that government revenues fell from nearly \$150,000,000 in 1929 to \$43,000,000 in 1932, when the Chilean people were most in need of assistance, and some idea will be had of the magnitude and scope of the problems confronting the government.

Obviously, it was impossible to await a general world trade recovery. Chile was compelled to meet its problems at once, and unaided. What was to be done?

## II. THE PARAMOUNT PROBLEM OF INDEBTEDNESS

The commercial crisis was solved primarily through the forced reduction of interest rates. In that way the burden of debtors was lightened, and in the end the banks, which had at first bitterly opposed these measures, were aided in replenishing their resources and in liquidating a substantial portion of their frozen assets. The position of the debtor classes was further relieved by the depreciation of the currency which followed the decline in exports. At the same time, the government was able to supplement these measures and give a natural impetus to business recovery through the creation of an Industrial Credit Fund to finance new industries and expand those already in existence.

The crisis proved to be most acute in the agricultural regions, and it may be remarked that some 41 percent of the Chilean population is dependent upon the soil. The market for farm products was completely demoralized by the collapse in purchasing power and by the frantic efforts of farmers to dispose of their crops at any price in order that they might continue to meet their obligations. The widening disparity between the farmer's pitifully small income and his fixed debt charges forced drastic action. Debtors were allowed to fund their arrears at the uniform rate of 6 percent into new long-term obligations, while current interest and dividends were reduced by 50 percent, and for the two following years by 25 percent. Creation of a Farm Credit Fund helped to solve the problem of debts, without shifting the burden onto the banks. The Mortgage Bank, which had been on the verge of bankruptcy, found its position improved as a result of the relief afforded its debtors, and was able to avoid the threatened suspension of payments on its own internal obligations.

In Chile, as elsewhere, it became apparent that an attempt to solve the problem of indebtedness by forcing debtors into bankruptcy is merely to aggravate the evils of depression. The changed position of debtors had to be frankly recognized, and all possible assistance, compatible with the just claims of creditors, had to be accorded them. This was the guiding policy to which the Chilean Government adhered in dealing with the problem. It proved to be the only means of restoring equilibrium in the national economy when the aggregate debt burden had been artificially raised by a precipitous drop in the means of payment, in other words, in the prices of basic commodities.

The reasonable words of President Roosevelt with reference to the European war debts may appropriately be quoted in this connection: "I firmly believe in the principle that an individual debtor should at all times have access to the creditor; that he should have opportunity to lay facts and representations before the creditor and that the creditor always should give courteous, sympathetic and thoughtful consideration to such facts and representations." This was the policy followed by Chile in the treatment of its oppressed debtors.

### III. THE THREEFOLD ATTACK ON UNEMPLOYMENT

While the steps which I have outlined above relieved the immediate pressure on the Chilean people and prepared the way for slow recovery, the country still faced a serious unemployment problem. To alleviate unemployment, the government had to choose between three programs: (1) public works, either constructed by the government or let out to private contractors; (2) a direct dole; or (3) work relief, such as the Citizens Conservation Corps furnishes in the United States.

Prior to the middle of 1932, the first method was followed in Chile, supplemented by direct relief. But it was found (as has been discovered elsewhere) that a public works program is inevitably the most costly and least efficient form of relief, while, on the other hand, the dole tends to undermine the morale and self-respect of the unemployed.

It was decided, therefore, to adopt the third alternative — that of work relief — as the principal means of dealing with the unemployment problem. Thus, the government initiated a series of concerted measures to promote gold production, both through mining and placer operations. The chief emphasis was placed on private rather than government operation, and state gold-bearing properties were in many instances turned over to private contractors. Individual initiative was encouraged, and thousands of persons who started out panning for gold have since become contractors or owners of their own properties. The government coöperated by fixing a minimum price for gold, which made prospecting decidedly attractive, owing to depreciation of the currency. In addition, the government sent agents direct to the fields to purchase the gold so as to avoid placing the miners at the mercy of speculators and to eliminate the waste of their time in traveling to and from the mint.

It may be stated that this program has proved a complete success within its obvious limits. Within five months the glamour of gold mining as such, and the intrinsic reward for long hours with a shallow pan or pick and shovel, brought 40,000 workers back into the ranks of the gainfully employed. By November 1932 the value of new gold production was equal to 50 percent of Chilean imports for the month, and gold mining was well on the way to becoming a profitable and growing industry rather than merely a form of unemployment relief. The government now is giving greater attention to technical improvements in the methods of extraction, which may be expected to bring about a further increase in output. In 1934, Chile produced 7,420 kilograms — nearly 8 tons — of gold, which represented a gain of 62 percent over 1933. It is significant, moreover, that 26 percent of the total production came from placer operations, which are predominantly carried on by independent laborers and small contractors.

Government aid to the mining industry was not confined to the encouragement of gold production, although expansion of the latter has doubtless been most spectacular and of the most direct benefit to victims of the depression. In the same way that credit funds were created to finance industry and ease the burden of farm debts, a Mining Credit Fund was formed to finance the production of sulphur, potash, salt, lead, nickel and aluminum as well as gold.

Thus, by means of a well planned and coördinated recovery program the Chilean Government has not only alleviated unemployment through work relief, but has fostered the development of new and permanent sources of national wealth.

#### IV. THE NEW SOCIAL AIMS OF GOVERNMENT

What has been described thus far is in effect a "New Deal" for the Chilean people. In so far as possible, the system operates without competition with private industry. Its purpose is merely to fill up the gaps left by private capital and mark out the road which later on is to be followed by individual initiative. The goal has by no means been reached, but the immediate worries of the producer have been lifted by the efforts of the government to assure him a market for his product.

Some people have characterized this new concept of the duty of the state as "socialism," and have endeavored to arouse vague

fears of political and social experimentation. But does not the fundamental concept of socialism today consist of the appropriation by the state of the means of production? When these means of production remain in the control of private capital, and the state confines itself to encouraging their use and to providing those services which have not attracted private capital, this is not socialism; it is merely the recognition by the state of its primary social function, its paramount duty to preserve to the people the possibility to work and live.

#### V. FINANCIAL REFORM AND RETRENCHMENT

Such are the broad social and economic measures and purposes which lie behind the present recovery movement in Chile. There are other aspects of the program, of course, and among them we lay particular stress on the steps taken to reestablish the national credit through balancing the budget and initiating discussions relating to the external debt.

Confronted by a national emergency, the government's first step was to reduce the level of its expenditures. It was realized that if confidence in the financial stability of the government were not maintained the country would be confronted not merely with crisis but with chaos. How effectively this was done is seen from the fact that government expenditures were slashed from 1,596,000,000 pesos in 1929 to 948,000,000 pesos in 1934. The comparison would be even more striking if the depreciation of the currency were taken into account. What these savings meant in terms of dollars and cents to the individual government official or employee may be understood from the fact that the Secretary of State, the Finance Minister and other members of the Cabinet today receive salaries of only \$33.60 a week, while the average government employee gets less than \$5.80 a week.

But retrenchment alone was not sufficient to balance the budget. The government was forced to impose new and higher levies of every kind: taxes on bachelors, on the volume of business, on excess profits; taxes on the transfer of property; increased income and inheritance taxes; and so forth. In spite of the depression, therefore, and by dint of severe sacrifice on the part of the people, the Treasury managed to collect total taxes of 871,000,000 pesos in 1934, as against 356,000,000 pesos in 1932.

Under present conditions, taxes cannot be raised further, and expenditures can be cut only at the risk of endangering the effi-



ciency of the government organization and the living standards of its employees, who have patiently submitted to drastic salary reductions. The President of the Republic in his message to Congress stated: "We have raised taxes to the limit. The combined taxes represent an average assessment of 27 percent on the income of each citizen." Computations have been made showing that industry and commerce pay taxes equal to 62 percent of their earnings. Yet these burdensome taxes have been necessary to preserve the government's fiscal structure. It is hoped that in time the gradual recovery fostered by the measures already described will both increase the revenues of the government and lighten the burden on the taxpayers.

#### VI. THE PROBLEM OF FOREIGN DEBTS

It must be pointed out that all this recovery, all these increased taxes and the balancing of the budget have added little to the present capacity of Chile to meet interest payments upon her foreign debt. These debts can be met solely in foreign exchange arising from the excess of the balance of international payments. In other words, foreign debt service must depend, not merely upon Chilean recovery, which has made gratifying progress, but upon world recovery, and particularly upon increased world demand and higher world prices for the two products which have always accounted for close to 90 percent of Chile's total exports, namely, copper and nitrates.

Thus the problem of foreign debts is seen to lie in the fact that world prices for copper have dropped over 80 percent and for sodium nitrate nearly 72 percent in terms of gold, while at the same time the slackening in the demand of world industry and agriculture for these two vital products compelled a slash in production from 316,813 tons of copper in 1929 to 163,312 tons in 1933, and from 3,280,000 tons of sodium nitrate to 450,400 tons.

As a consequence, total Chilean exports dropped from \$278,000,000 in 1929 to \$44,800,000 in 1933 (only 16 percent of the 1929 figure). When it is remembered that Chile can find foreign exchange solely from exports, the effect of this terrific cut in our resources becomes apparent. In the United States in 1932, the worst year of the crisis, national production was reduced only about 50 percent from the level of the 1929 boom. Prices had dropped only 32 percent in the same period, and exports 69 percent. Picture, then, the significance of the crisis in Chile, with

national mineral production, which had accounted for over 90 percent of foreign trade, cut 74 percent; prices for the principal products off 72 percent to 80 percent; and exports, which are the sole means of meeting external obligations, slashed 84 percent.

These figures of foreign trade and exchange do not exaggerate the acuteness of Chile's distress. There has been, it is true, a gratifying measure of recovery during the past year. It is this turn in the tide, in fact, which gives us confidence that the worst of our troubles are over and allows the Chilean Government to make any offer whatsoever for the settlement of its external indebtedness.

Chile has not lagged in trying to reestablish a basis for the service of its external indebtedness. The government did not wait until the country had attained a full or normal measure of economic recovery, nor until its creditors came to it with their demands for payment. Its action has been entirely spontaneous. At the very worst period of the crisis, in September 1932, the government passed the organic law establishing the Autonomous Institute for the Amortization of the Public Debt (*Caja Autonoma de Amortizacion de la Dueda Publica*), and it is under the provisions of that Statute, and of subsequent enabling legislation, that the Chilean Special Financial Commission of which I am a member was sent to the United States and England to take up this problem with representatives of the creditors.

The law of January 31, 1935, which formed the basis of our discussions has been published and its details are already familiar to American and other bondholders. In explanation of the terms of that law, I may state that if a definite and flat cut in interest rates were to be proposed as a permanent arrangement, it would have to be a considerable reduction from the contractual rate. This would be unfair to Chile's creditors and would not reflect the nation's continuing desire to meet its obligations to the full extent of its ability. Any such arrangement entered into today, when Chile is (we believe and hope) just beginning to emerge from the economic depths, would fall far short of its capacity to pay once recovery had been fully established.

Hence, in deference to the legitimate rights of creditors and from respect for national obligations on the one hand, and taking due account of the vicissitudes of economic fortune on the other, the law provides a graduated schedule of payments varying in accordance with Chile's capacity to pay. It is believed that

this arrangement will be more acceptable to creditors than any outright and permanent slash in interest payments.

The law therefore allots to foreign creditors not merely a part of the government receipts from two major sources, but all those receipts — namely, the entire fiscal revenues from the nitrate and copper industries. The income from these exports has been and is today practically the only one providing a constant and certain source of foreign exchange, and hence the only resource that can be relied upon from year to year as a basis for meeting service upon external obligations.

While these two sources of revenue will suffice to provide only a small proportion of the service at the present time, it may be pointed out that there is reason to believe that a revival in world trade may restore them, probably not to 1929 levels, but at least to the average level of the ten-year period from 1921 to 1930. If the present plan had been in effect during this ten-year period, there would have been available thereunder an average of approximately \$24,000,000 per annum for the service of the foreign debt.

As a further feature of the plan, provision is to be made for the gradual retirement of the debt. The Government of Chile did not consider it proper to follow the policy pursued by many other governments at this time, namely to reduce interest rates to minimum percentages and then, covertly and without public announcement, to buy back as many of their obligations on the open market as it could at depreciated prices. Instead, the Chilean Government has openly announced its intention to devote half of the total fiscal revenues from the copper and nitrate industries to meet interest payments upon the foreign debt, and to employ the remaining half of this income for the retirement of the bonds by purchase in the open market.

The year-by-year purchase of bonds by the Amortization Institute is of real advantage to the bondholders. Although many of them are in a position to retain their bonds over a period of time and thus secure even greater returns, there are some who are forced by circumstances to liquidate, regardless of the market price. In the past it has been impossible to dispose of such bonds except at a ruinous sacrifice. Not only were prices low, but there was so small a market for these obligations that an offer of 10 or 20 bonds was sufficient to cause prices to fall to even more disastrous levels. The employment of substantial funds for the pur-

chase of Chilean bonds in the market would be more beneficial to the bondholders than a slight increase in the current interest rate. Further, the purchase of bonds will have the automatic effect of increasing the rate of interest payable with respect to the smaller amount of bonds thereafter outstanding.

Moreover, if world demand and world prices for copper and sodium nitrate improve — and it is sincerely believed in Chile that this will be the case — these repurchases and interest payments will increase at a rapidly accelerating rate. This is not a vague expression of hope based merely upon a desire to render the program attractive to creditors. On the contrary, it must be stressed that the economic well-being of the Chilean nation, and even the very existence of its population, depends in a large measure upon the prosperity of those industries. In other words, Chile's own prosperity is as much wrapped up in the expansion of the nitrate and the copper industries as is the welfare of its creditors under the proposed plan of debt service. If world prices and demand for copper and nitrate increase to normal levels, it is not too much to forecast that ultimately those holders who have relied upon the continuing good faith and ability of the Chilean Government and who have retained their bonds to maturity will be rewarded by payment of the principal in full.

In no other way than by the allotment of the two great national sources of revenue and foreign exchange, as described above, and by the segregation of these revenues into interest and retirement funds, could the desired results be attained. When the program is studied in the light of all the present circumstances, our creditors and the public at large will, I hope and believe, realize that the Republic of Chile is not shrinking from very real national sacrifices in order to conclude the most equitable and just arrangements possible.

## POLAND: FREE, PEACEFUL, STRONG

*By Casimir Smogorzewski*

AT THE outbreak of the Great War in 1914, a war destined to change the whole aspect of the world, not one of the belligerent nations had any serious notion of restoring political independence and territorial unity to the Polish nation. When the war was over there stood Poland, a free and independent country. How could such an extraordinary thing ever have come about? To whom, to what, does Poland owe her return to the family of free nations?

To her inner sturdiness, first of all. In the spirit Poland never died. She survived all oppressions, she rose triumphant over all efforts to break her to pieces. She accomplished a social regeneration through the rise of a national bourgeoisie. She achieved economic prosperity. She increased her population. There were 8,000,000 Poles at the time of the third dismemberment (1795). There were 25,000,000 in 1914. At the critical moment, the Polish nation dashed with irresistible spontaneity into independence, finding leaders equal to the historic task which was set them. The world at large was not at all aware of the rich vitality of Polish life during the nineteenth century, and especially during the decades just previous to the outbreak of the Great War. France and the Anglo-Saxon countries knew virtually nothing of Poland. And not even Germany and Russia, who had greater reason to keep in touch with what was going on among their unwilling subjects, were any better informed.

It is true, nevertheless, that Poland would never have experienced her resurrection if it had not been for the concurrence of a number of extrinsic factors. Of these I will emphasize four, two of them operating negatively, two positively.

It will be remembered that during the first days of the war, and notably on August 14, 1914, Russia made an appeal to the heart of the Polish nation. It was not a disinterested appeal, it was a mere politico-military manoeuvre. All the same, it served to formulate the Polish question. No one is master of the imponderables in history. They "broke" in Poland's favor. This happened again with the Russian Revolution later on. One would hardly say that that cataclysm was altogether unforeseen. However, from the Polish point of view it came at the best imaginable

moment. Further, there were grave mistakes in German policy during the war and these also contributed to the liberation of Poland. Such a mistake was made when, guided by selfish calculation, and setting a low estimate on Polish shrewdness, Germany tried to muster recruits from Poland by instituting (November 5, 1916) what was called a Polish state but which lacked the qualities of statehood.

The basic positive factor in the restoration of Poland was a development of moral ideas in Europe — the triumph of the principle that all civilized nations should be free, and the belief that this was one of the conditions essential to a durable peace. Cracking under her war effort, in which her appetite showed itself much stronger than her stomach, Tsarist Russia dropped from the Allied ranks. But her place was taken by the United States, and the deeper meaning of the war seemed to come to the fore. It was thenceforward to be a struggle for deliverance. In order for that principle to triumph, however, the Allied and Associated Powers had to win a victory in the field. That victory figured in a very direct manner in the restoration of Poland. All the same, the Allies made no formal adoption of the Polish cause till June 3, 1918. That was five months after the formulation of President Wilson's thirteenth Point. It came, that is, at a time when the Polish cause was bound to win, whatever happened.

Truths of yesterday, these! If I advert to them, it is in order to bring out certain of their implications for the future. We are not forgetful of the fact that the United States, speaking through the lips of President Wilson, was more influential than any other Power in fixing the status of Poland in this new Europe, a Europe by all odds better than the Europe prior to 1914. We also remember that once she felt herself "freed of the so-called help of her ally, oppressive Russia" (words of Clemenceau), France worked for the reconstitution of an independent and practicable Poland. Yet how forget that as late as March 11, 1917, in virtue of a secret agreement negotiated by M. Gaston Doumergue and signed by the late Aristide Briand, France found herself obliged to refer the fate of Poland to the good pleasure of Tsarist Russia? We have a kindly thought for Great Britain too, though down to the first weeks of 1917 she maintained a prudent reserve on the matter of Poland's future, and later on, less out of animosity or prejudice against Poland as such than in deference to her time-honored attitude toward affairs on the Continent, she opposed the crea-



tion of a Poland that would be great and strong, because such a Poland, in the eyes of Lloyd George, would, unfortunately, be the natural ally of France! As regards Italy, that country had itself been born of the principle of nationality, and it was fighting in the war for the completion of its national unification. Italians therefore looked upon the Polish cause with brotherly sympathy. But at the Peace Conference, Italy was preoccupied with her own frontiers, and she played in everything touching Polish affairs a decidedly subordinate rôle.

The Polish people cherish sentiments of unalterable gratitude toward the nations that lent her effective assistance in her great labor of restoration. But they cannot overlook the fact that the only disinterested help came from the United States, a country that withdrew completely from European affairs the moment the Peace Treaties were concluded. As for the friendships and alliances that may have been offered to Poland, or which she may have concluded in Europe, they have been altogether determined by the respective interests of the contracting parties. Those interests may evolve, and, more than that, they may be variously interpreted. That is only natural. The foreign policy of a nation is not a mere whim meandering along the surfaces of life. It is not the caprice of a man or a party. It is the manifestation from day to day of the instinct of self-preservation. It is the composite result of the moral, geographic, demographic and economic pressures amidst which the nation lives and grows. The foreign policy of Poland is subject to those laws.

## II. POLAND AND GERMANY

It is Poland's destiny to be situated between Germany and Russia and to have to live independently of both of those two powerful neighbors. That fact is basic in the whole foreign policy of Poland. It determines her relations to her other neighbors. It has its influence on the ties that exist or may exist between Poland and the Great Powers that are neighbors of Germany and Russia.

On the matter of the Polish question during the war, Germany wavered between two policies, the one looking to a separate peace with Russia at the expense of Poland, conformably with the traditions of Frederick the Great and Bismarck; the other looking to the crushing of Russia and the creation of a buffer-state in Poland, conformably with the German patriotic tradi-

tions of the first half of the nineteenth century. The policy on which Imperial Germany finally settled was an unusual combination of the two mutually contradictory policies. Since the war, the Germans have sometimes pretended that they are the real liberators of Poland and they even go so far as to accuse the Poles of ingratitude. It is true enough that in the course of the war hundreds of thousands of German soldiers died on Polish soil. But they died in furtherance of an anti-Polish policy, and had they been victorious there would have been no free and united Poland.

The Germans had been brought up on history as it was taught in the Bismarckian school and they thought of a really independent Poland as a calamity. They could not believe in the permanence of the state of things that came into being in 1918 on their Eastern frontiers. Most of the leaders of the Weimar Republic thought of the new Poland as an accident and spoke of her as a "temporary" state (*Saisonstaat*). One of the main objectives of the policy launched at Rapallo was to make that temporary period as brief as possible. On assuming the ambassadorship to the Soviet Union in 1922, Count von Brockdorff-Rantzau voiced the opinion that "it might be possible to repair at Moscow the damage that had been done at Versailles." Indifferent to the strange contradiction between that attitude and the principles on which its own existence was grounded, the Weimar Republic strove to prevent the consolidation of Poland in every way possible. It was always arousing opinion against Poland abroad and causing as much trouble to her as it could at home. That tactic undoubtedly worried Poland, but it did not affect her firm resolve to stand her ground. In another direction it actually was a help to Poland. It stimulated her business men to take advantage of her outlet to the sea, hastening the construction of the port at Gdynia and promoting new industries. As the ancient bonds between German and Polish lands were severed, Poland's economic and political independence was more and more emphasized.

The Weimar Republic devised nothing new in the matter of German-Polish relations. It continued purely and simply the old policy of territorial expansion at the expense of another people belonging to another race and of the same level of civilization. In a letter to the Crown Prince dated September 7, 1925, Stresemann categorically declared that "rectification of the east-

ern frontiers of the Reich, recovery of the Polish Corridor and of Danzig, and alterations in the boundary lines of Upper Silesia" were outstanding items in the list of Germany's territorial demands. In 1931 Chancellor Brüning began applying himself to the execution of that program. He sounded out Paris, London and Rome to see just how far territorial revision at the expense of Poland could be made acceptable to those capitals.

Has there been any change in the status of German-Polish relations since January 30, 1933? Most certainly. The great idea of Chancellor Hitler is to build a Third Reich, nationally unified, embracing all territories bordering on Germany where compact masses of German population are to be found. This unification cannot be carried out apart from some central idea that is capable of appealing to the German heart. It cannot be a dynastic idea, nor a religious idea. In German history, both monarchy and religion have played rôles not of unification but of dissociation. The idea of race has therefore been put forward as the framework for the projected unification. The myth of race is susceptible of a variety of interpretations. It can even be regarded as an extreme form of the principle of self-determination which the Allies very soundly applied in their effort to redraw the map of Europe. Chancellor Hitler certainly loses no opportunity to protest against the treaties of 1919 as "contrary to nature," but he no less certainly recognizes in principle the territorial transformations of which the treaties are an expression, and which indeed are the only part of the treaty that will endure — at least till the next seismic convulsion. What Chancellor Hitler claims is that fair play was violated in 1919 in that the principle of self-determination was not applied in certain cases where it would have worked to the advantage of Germany.

Poland is not gleeful at the prospect of the eventual aggrandizement of Germany. However, in her judgment German racial nationalism seems less dangerous to the peace of Europe than an imperialism of the old Prussian pattern. In Polish eyes, at any rate, there is a world of difference between the two theories. On the basis of territorial imperialism, Warsaw was a frontier city of Prussia for eleven years (between 1795 and 1806). But Poland has a strong case as against the theory of racial nationalism. In none of Poland's frontier provinces is the proportion of German inhabitants more than about 10 percent, whereas across the German frontier Poles by race and by language are often in the major-

ity. There are 724,000 Germans living in Poland at the present time. There are 1,400,000 Poles living in Germany. On that basis, Germany has a much greater interest than Poland in letting sleeping dogs lie.

That fact has always been apparent enough to the Poles, but not to world opinion at large. People abroad were inclined to consider the so-called Corridor the most serious obstacle to a final pacification of Europe. That is an oversimplified and erroneous notion, as the Poles strove to show in every way possible. They argued that the present German-Polish frontier could not be considered to annoy or weaken Germany seriously, and that, on the other hand, if Poland were cut off from the sea by a German corridor the political and economic life of Poland would inevitably fall under German control. They concluded by expressing their absolute resolve never to yield an inch of the territorial minimum that had been very justly restored to them. As they patiently ran over the list of their moral and statistical arguments, they sometimes would succeed in getting a bored sort of hearing, more often their briefs would be dismissed with indifference. Now and then — and that was especially the case in France — they would be told that they should “be reasonable,” and being reasonable meant to give up the Corridor.

Chancellor Hitler's régime was received with marked reserve in Poland. The Poles could not guess how he would set about giving effect to the first point in his platform, which called for the “reëntry of all Germans into the bosom of a Greater Germany.” We had noted that in “Mein Kampf” he had said nothing particularly offensive about Poland, but it was well remembered that one of his friends, advisers and lieutenants, Alfred Rosenberg, had expressed the opinion that “the elimination of the state of Poland was one of the basic postulates” of the Greater Germany. On February 15, 1933, Marshal Pilsudski, the great realist who has directed Polish policy since 1926, warned the government of the Third Reich through Joseph Beck, Polish Minister of Foreign Affairs, that “Poland's attitude towards Germany and German problems would always be the same as Germany's attitude towards Poland,” and he added that “practically speaking, the situation in that regard depended much more on the attitude of Berlin than on the attitude of Warsaw.” And since the advent of Hitler resulted at once in a new outburst of

anti-Polish agitation in Danzig Marshal Pilsudski during the night of March 5-6, 1933, reënforced the detachment of Polish soldiers that has been guarding the military basin at Westerplatte in the Danzig harbor. While Geneva began poring over the voluminous law library that has been built up around the Danzig question, Berlin caught the point in a flash and Hitler saw that Poland would not tolerate any surprise seizure of Danzig, or of any other place, and that she would give an energetic answer to any German move that affected the *status quo*. Hitler therefore had to make up his mind either to continue the irritations that had already isolated Germany and that were leading to unpredictable results, or to put a halt to them and to try to create a healthier atmosphere in German-Polish relations. He chose the latter course. Speaking at Königsberg on May 27, 1933, on the eve of the elections to the Danzig *Volkstag*, Hitler succinctly declared that "National Socialism renounces those policies aiming at a modification of national frontiers at the expense of other peoples."

Poland has always desired not merely peace with Germany but, if possible, a friendly neighborliness based on mutual respect and confidence. No Chancellor of the Weimar Republic had the courage to set out along that road. Could the Poles sit speechless and deaf when Chancellor Hitler proposed that we work together for an improvement in the German-Polish situation? We might, at the most, have returned an evasive answer just to gain time and to see whether the National Socialist régime was destined to an early collapse. But we were the first to understand, since we knew our Germany, that that régime was going to endure. We therefore accepted Chancellor Hitler's suggestion and on January 26, 1934, signed a ten-year non-aggression treaty with the Third Reich. That was an historic document, closing a whole epoch of German-Polish relations.

What are the terms of that treaty? In Article I the two governments note that "the moment has come to begin a new phase in diplomatic relations between Poland and Germany." That "new phase" is to lie, at bottom, in a settlement by direct communication "of any sort of question that has a bearing on their mutual relations." In the quest for such solutions, or in any eventual case of dispute, the two governments "under no circumstances will resort to arms," since their purpose is to "strengthen the good relations that should obtain among neighbors." In

case direct negotiations fail, resort may be had to "procedures provided for in other agreements still standing between the two parties" (the Locarno Pact, for instance). It is obvious that no territorial questions are to come up under this procedure, since "in accordance with international law," such questions "must be considered as belonging strictly to domestic affairs." Finally, the international agreements that may have been undertaken "by either of the parties" are "to be held as not incompatible" with the text of the German-Polish declaration. This important proviso not only leaves Poland's alliances intact; it also guarantees her complete freedom of action as a member of the League of Nations. Poland used this freedom on April 17, 1935, when she joined the other members of the League in their resolution censoring German rearmament and unilateral rejection of the clauses of the Versailles Treaty.

This agreement, which is altogether above criticism, does not, as is sometimes alleged, carry any secret addenda. All the talk that has appeared on that subject in the press of the various countries is false and ridiculous. It has been said that Poland has given a free hand to Germany in Austria, or that Poland has agreed to follow Germany in some move or other against the Soviet Union. I am not denying that a number of public utterances by prominent National Socialists betray the existence of hopes in certain German quarters with regard not only to Austria but also regarding the Baltic States and the Ukraine. Time and a sensible policy alone can show the Germans the fatuousness of any project that brutally ignores or sacrifices the rights of other peoples. But in any event it is carrying ingenuousness too far to imagine that because a few Germans harbor a certain idea Poland is going to adopt it or anything like it. The *Anschluss* can be prevented, but only by force. Since Poland is not one of the Powers most directly interested in the fate of Austria, she not unnaturally leaves to someone else — Italy, for example — the privilege of carrying that enterprise through. One would need to be morbidly suspicious to foresee Polish and German soldiers on the march toward Moscow and Kiev. There can be but one policy for Poland towards the east. Spaces are wide and open there, but there is no room for two simultaneous tactics. For years Poland has been trying to bring about a permanent understanding between herself and the Soviet Union. The Warsaw government would not choose just the moment when such efforts are about



to bear fruit to succumb to some will-o'-the-wisp in the direction of the Ukraine.

### III. POLAND AND THE SOVIET UNION

Imperial Russia certainly never did anything to deserve the sympathy of the Poles. The Polish nation joyously welcomed the fall of the Tsarist régime and sincerely welcomed the establishment of a liberal democratic government in Russia. A government of that type could only pronounce in favor of Polish independence, and this in fact the provisional republican government did on March 30, 1917. But it was overthrown by the Communists on November 7 of the same year. Hoping that a similar revolution was in the offing in Germany, the Bolshevik leaders called for immediate peace on the basis of the self-determination of peoples. That was the origin of the ephemeral treaty of Brest-Litovsk. Furthermore, in a proclamation issued on August 29, 1918, the Soviet government annulled all "annexationist" treaties that the Tsarist régime had concluded. The treaties on which the dismemberment of Poland had rested were abrogated by that act, and Russia restored the Polish nation, so long dispossessed, to its sovereign rights.

However, on the collapse of the Central Powers, and quite inconsistently with principles which she had herself proclaimed, Soviet Russia did not hesitate to throw her troops westward upon Warsaw. That was the occasion for the outbreak of the Polish-Soviet war. It ended in 1920 with a decisive defeat for the Reds. The victory was largely due to a leader of genius, Marshal Pilsudski, and to a fine group of junior officers who had been trained in the Polish legions.

To restore reasonably courteous relations between Poland and the Soviet Union was a long and difficult process. From the ethnic standpoint, the territories which are strictly Russian are separated from those which are strictly Polish by a mixed and, on the whole, not very prosperous region which is sparsely settled with a White Russian-Ruthenian population in the north and by Ukrainians in the south. However, here and there in that zone one finds (to say nothing of a general civilizing influence of Poland) districts with strong Polish minorities or even majorities. A frontier running on the line of Riga through this mixed territory was therefore a compromise that gave Poland security without affecting her character as a national state in which

Poles were indisputably the prevailing element. Had the Polish delegation at Riga so chosen, it could have drawn the new frontier much farther to the east, for at that time the Soviet representatives were only mildly interested in territorial questions. All the frontiers which they were then establishing with their neighbors were, in their eyes, temporary expedients. The world was soon to go Bolshevist — peace was just a truce. War with the capitalist world was to go on, though there might be changes in the character of the “front.”

As long as Moscow was nothing more than the world center of revolutionary propaganda, relations between the Soviet Union and its neighbors were very strained. But by 1927 the tendency represented by Joseph Stalin definitely gained the upper hand as against the tendency represented by Leon Trotsky. Moscow dropped the idea of Bolshevizing the world, for the nonce at any rate. Meantime the Soviet Union was to be socialized, agriculture was to be collectivized, production was to be organized, Russia was to be turned into an industrial country and was to become a great economic Power altogether independent of the capitalist world. Stalin's triumph was a triumph for peace, for Moscow's best efforts were now to be absorbed in internal tasks. From that moment normal relations between the Soviet Union and the other Powers became possible.

Poland watched developments in her neighbor to the east with an attentiveness that may readily be imagined. Nor did she let the favorable opportunity slip by. Reviving a negotiation that had been hanging fire since 1926, the Warsaw government signed a non-aggression pact with the Soviet Union on July 25, 1932. That agreement provided that “any act of aggression affecting the territorial integrity and inviolability or the political independence of either country” would be considered contrary to the pact, and each party pledged itself “not to participate in any accord or agreement that was overtly hostile to the other in respect of aggression.” Furthermore, on July 3, 1933, Poland and the Soviet Union signed a collective agreement that gave a very comprehensive definition of the term aggression. So a wholly new atmosphere came to prevail in the relations between Moscow and Warsaw.

In February 1934 Joseph Beck paid an official visit to the Soviet capital. The government of the Union overlooked nothing that could serve to emphasize the importance it ascribed to the

first visit of a Polish Minister of Foreign Affairs. Messrs. Litvinov and Beck readily agreed that maintenance of the *status quo* was the best contribution the two countries could make to peace in Europe. It was also decided to raise the legations in Warsaw and Moscow to the rank of embassies (that example was followed in Berlin and Warsaw in October 1934). The pact of 1932 had been made to cover three years. The subject of extending that period was broached at the time, but no final conclusion was reached. Mr. Beck was willing to accept Mr. Litvinov's suggestion that the pact be prolonged by ten years, but to strengthen mutual trust between the two countries he asked Moscow to make an end to an old manœuvre that went back to the days of Tchitcherin as a device to prevent Lithuania and Poland from reaching agreement. We cannot go into that matter here; but the moment the Soviet government declared its readiness to recognize the present Polish-Lithuanian frontier, Poland signed the protocol that extended the nonaggression pact of 1932 to December 31, 1945.

The signing of the non-aggression and the London pacts were just two among many acts that had expressed Poland's sincere desire for mutual confidence in her relations with Russia. But the Moscow government could not rest content with that very notable achievement. Looking feverishly about in Europe for diplomatic successes that were eluding his grasp in Asia, Mr. Litvinov now suggested to Warsaw through the French government a mutual assistance pact of a definitely anti-German cast. One of the motives underlying this suggestion must undoubtedly have been a desire to prevent the normalization of German-Polish relations. This suggested pact is a favorite theme, also, with people who can think of Poland only as an ancillary Power that can justify its existence merely as an instrument of the policy of some Great Power. That is not the Polish view. Poland does not intend to be anybody's plaything. Much less does she want or need the support of one great neighbor against another. Both east and west what she wants is coöperation and good will.

Such a frank and simple attitude in diplomacy is very hard to grasp; for, as the French say, "one generally loves against somebody." But the fact is that, covered by her treaties, Poland does not feel particularly menaced. Being a liberal "bourgeois" state she finds it hard to picture an internationalist and communist Russian army shedding blood for Polish frontiers or Polish ideals. On the other hand, she sees the reverse side of the proposed

mutual assistance pact. An "Eastern Pact" would put an end to the Franco-Polish alliance, since French policy toward Poland, at least at critical junctures, would have to follow Russian lead, and that would give Moscow a sort of protectorate over Polish policy. We will have none of that.

#### IV. POLAND AND FRANCE

France and Poland have common interests, that is obvious. An alliance between them is in the nature of things. The Poles love France, and they realize that a powerful, prosperous and independent France is necessary to Europe and to the world. All that Poland asks of France is that France shall take accurate account of the position of Poland in Europe and especially in East-Central Europe. Poland's present policy is aimed at putting her alliance with France on a sounder footing.

Poland has not been satisfied with the way the alliance has worked since 1925. While France could always be sure that in case of a German attack Poland would support France with all her strength, Poland had grave apprehensions about what would happen in the reverse situation. While the utility of the alliance was never questioned in Poland, one could collect a whole library of articles, books and pronouncements by more or less prominent Frenchmen calling for the abandonment of the alliance on the ground that the "Corridor" might some day drag France into war with Germany.

The language of the Locarno agreements and the modest place assigned in them to Poland gave us the sense that the Franco-Polish alliance was losing sinew. We got the impression that the intentions of the alliance were being obscured in the course of developments at Geneva, and that the promise of automatic and immediate military aid to Poland was being weakened. Poland, of course, has never been hostile to an improvement in Franco-German relations, but she felt that that improvement should strengthen and stabilize peace in the east as well as in the west. Now Locarno made a distinction as regards western and eastern frontiers. World opinion was allowed to infer that some frontiers were definitely settled while others were not. It was after Locarno, in fact, that Germany began to develop her propaganda against Poland, while in France a tendency to regard Poland as a pawn in French policy became more and more accentuated. The very term "alliance" as applied to the relationship with Poland dis-

appeared from official language, and was revived only by the late Louis Barthou. Everything seemed to indicate that France regarded the alliance as binding on Poland but optional for herself.

A clear indication that the French were moving toward an understanding with Germany was given when the date for the evacuation of the Rhineland was set forward. Of course, Poland had no objection to that, in principle; but she had no success in bringing the late Aristide Briand to see that the early evacuation should be made to imply some better guarantee of Polish security. Furthermore, most of the suggestions which France laid before the Disarmament Conference at Geneva were drawn up without previous accord with Poland, her strongest military ally. M. Paul Boncour proceeded in the same fashion in December 1932 when Germany was accorded equal rights. Then came the Four Power Pact, which shook the foundations of whole-hearted collaboration between France and Poland profoundly. The original draft of that agreement implied a virtual repudiation of the Polish alliance. Later on, in view of opposition in Poland and other interested countries, as well as in many sections of French public opinion, the text of that accord was amended, but the principle that certain Powers had the privilege of leadership remained, and that principle Poland could not recognize.

This gradual lapsing of the Franco-Polish alliance was sorrowfully contemplated in Poland. Poland could see the soundness of the view often expressed in Paris that a weak and cramped Poland was a danger to France, and the Warsaw government did everything it possibly could to normalize relations with Germany and the Soviet Union on the basis of complete equality. It was considered strange that that frank and open policy should then cause dissatisfaction and criticism in France. I cannot say that the present diplomatic situation in Europe is altogether favorable, but what Poland has done may certainly be taken as consolidating peace and increasing confidence. She has relieved France of serious causes for worry. And she is still the ally of France. That does not justify her in resting the whole weight of her security upon France. And if French opinion does not see that, it is because French opinion does not see that the day when Poland could be thought of as a mere satellite of France has passed.

Instead of working to restore the old cordiality in Franco-

Polish relations, French diplomacy at present seems to be bent on making us regret our taste for independence. Polish statesmen have been attacked in discourteous not to say improper language in the French press. Even my French colleague Pertinax is counted among those polemicists who have tried, needless to say to no purpose, to represent the current Polish policy as reflecting merely a personal attitude of Marshal Pilsudski and Mr. Beck.

Such was the atmosphere in which the idea of the Eastern Pact was first launched. Since it concerned a region where Polish interests are vitally involved, France might have thought it natural to be sure that Poland, her ally, was in accord. Actually, however, the negotiations began in a quite different manner. The late M. Barthou paid a visit to Poland in April 1934. That was the first visit Poland had had from a French Minister of Foreign Affairs. Why did he come to Warsaw? To restore trustful co-operation between the two powers? Hardly. He was the personification of courtesy, but as for his diplomatic plan, he merely requested our adherence to the strange contraption that had issued from the lively imagination of M. Litvinov.

If we accept the Eastern Pact, the Franco-Polish alliance comes to an end, to be replaced with a Franco-Russian alliance, and the Polish army will simply be lining the roads to salute the passage of the new "steam-roller." If we refuse, we shall be accused of plotting with Germany, with dark designs upon the peace of Europe. We can do nothing, therefore, but hope that France will in the end bring herself to appreciate the seriousness of our diplomatic and psychological objections to the Pact.

France is, in fact, beginning to understand the Polish point of view. After several months of hesitation and reflection, M. Laval, successor to M. Barthou, has concluded that the Eastern Pact must be abandoned. In its place he is wisely substituting the method of bilateral treaties of mutual assistance. At the moment of writing, a treaty of this sort is being negotiated between France and the Soviet Union. The treaty between the U. S. S. R. and Czechoslovakia will be its reply. Poland has no objection in principle to such agreements provided they contain no clauses hostile to her and provided M. Laval revivifies that other "bilateral treaty of mutual assistance," the Franco-Polish alliance, first formulated on February 19, 1921. The two Powers agreed therein "to confer on all questions of foreign policy affecting the two states," and also signed a military convention. In



December 1925, within the framework of the Locarno treaties, the two governments signed a treaty stipulating that in case of unprovoked aggression each would come to the other's aid. Should M. Laval choose to renew this treaty he can count on the full coöperation of Polish statesmen.

#### V. POLAND AND GREAT BRITAIN

Great Britain after the Armistice endeavored to reestablish a balance of power on the Continent. She felt that this would be a guarantee of peace and also a prop to her own hegemony. To this dogma Britain added that of the economic interdependence of peoples, in accordance with which it was thought necessary to bring about the recovery of Germany and Russia as a preliminary to the resumption of economic activity in Britain. This policy affected Anglo-Polish relations even more than that of the balance of power. Moreover, many Englishmen were critical of the assumed ineptitude of Poland to utilize her immense natural resources, and by contrast they extolled the superior organization and technique of Germany. This mentality goes far to explain the opposition which Poland's just claims in Upper Silesia met with in Great Britain.

The new British evaluation of Poland's position and capabilities is one of the most important changes in post-war Europe. The fact is that Poland's energy and patriotism in both domestic and foreign matters have impressed the British. Her efficient foreign policy has been noted in particular, and her moderation has been interpreted not as a sign of weakness but as proof of her self-confidence. The recent visit to Warsaw of Anthony Eden, Lord Privy Seal, is the latest manifestation of Britain's increased respect. It was the first official visit of a British statesman. In that connection the London *Times* approved editorially of Polish hesitations to accept the Eastern Pact, asserting that Poland's motives, unlike those of Germany, are not subject to the suspicion that she wants to keep the way open for eastward expansion. At Warsaw it was explained to Captain Eden that Poland opposed the Eastern Pact because it could be regarded as an attempt by France to free herself of her obligations toward Poland and pass them on to Russia. If the guarantee of Poland had been shared by Great Britain, it would have been a different story. But as everyone knows, London will give no guarantees beyond the Rhineland. Great Britain is quite right in refusing to assume

obligations along the Vistula. Why, then, should Poland be asked to guarantee the *status quo* along the Danube?

#### VI. POLAND, THE LITTLE ENTENTE AND THE BALTIC STATES

The Little Entente was founded early in 1921 with the idea of holding Hungary in leash and keeping an eye on Austria. Those limited objectives were of no particular concern to Poland, and in fact the question of her joining never came up. Czechoslovakia, Rumania and Jugoslavia could count forty-four million people between them. That should have been enough to deal with eight million Hungarians. In 1923 Poland proposed enlarging the Entente into a Quadruple Alliance to guarantee peace not only on the Danube but along the Vistula. The suggestion was curtly and sarcastically rejected in Prague. Our Czech neighbors at that time regarded us as embarrassing allies in view of the double threat against us from Germany and the Soviet Union. Messrs. Masaryk and Beneš thought it discreet to leave us to our fate.

That attitude of the Czechs goes back to their idea of the future of Eastern Europe at the time of the Great War. They then prayed for a Russian victory, in the hope that Russia would be the dominant power in the East, with Czechoslovakia as her outpost in the very heart of Europe. They wanted Poland to be free, but small. Eastern Galicia would be a Russian province and they hoped to get sub-Carpathian Ruthenia for themselves. That would give them a common frontier with Russia. They took Poland so lightly that in January 1919, without waiting for the decision of the Peace Conference, they tried to seize by force the territory of Teschen, then in dispute between the two countries. In July 1920, when Poland was staggering under the impact of the Red invasion, M. Beneš succeeded, with the help of Mr. Lloyd George and the late M. Berthelot, in forcing an unjust compromise upon Poland, whereby 110,000 Poles were left on the Czech side of the frontier. That hardly made for an atmosphere of trust. Poland wishes no harm to Czechoslovakia. She wishes her peace and prosperity.

In the Balkans Poland has few political interests. The only Balkan capital where Polish diplomacy is active is Belgrade. Poland likes and admires Jugoslavia. On September 17, 1926, the two governments signed a pact of friendship in which they agreed to consult on those matters of foreign policy which they consider of common interest.

Poland is bound to Rumania by a treaty of alliance signed on March 3, 1921, made more definite on March 26, 1926, and renewed January 15, 1931. The two countries undertake "mutually to respect their territorial integrity and governmental independence as at present constituted, and to maintain them against any attack." That alliance makes Poland the only country that has pledged itself to uphold Rumania's possession of Bessarabia, as the agreements involved in the Little Entente do not extend to the Russo-Rumanian frontier. Of late, to be sure, the Bessarabian question has lost some of its acuteness. In negotiating its non-aggression pact with the Soviet Union, the Polish foreign office took it for granted that Rumania would sign a similar pact at the same time as Poland. It is a matter of common knowledge that the reason this was not done was because of pressure exerted at Bucharest by certain French groups.

Maintenance of the independence of the Baltic States is a constant principle in Poland's foreign policy. Her relations are cordial with Esthonia and Latvia, but not with Lithuania. That country still refuses to recognize the international character of the Polish-Lithuanian frontier and clings to its unjustifiable claim to Vilna and the Vilna district, where no Lithuanians, virtually, are to be found. Basic in the Vilna settlement of March 15, 1923, were (1), a formal plebiscite of the inhabitants affected; (2), a decision of the League Council; and (3), an unqualified request from Lithuania to the Great Powers that they draw a frontier between Poland and Lithuania. The settlement is therefore binding upon both parties. If it is Lithuania's choice to have no relations with Poland, whether diplomatic, postal or by railroad, she is free to do as she pleases. Poland can manage to do without. But it must be plain that Poland can assume no obligations regarding Lithuania over the roundabout route of an Eastern Pact. When Lithuania has exhausted all possibilities of diplomatic intrigue, she will probably come around to the view that normal relations should obtain between her and Poland. There could be no better guarantee of Lithuanian independence than Poland's friendship.

#### VI. SO THEN

Poland is equipped with all the moral and material requisites for becoming once more the Great Power which she was in the fifteenth and eighteenth centuries. She is unfalteringly determined to resume her proper rôle and position in Europe. She has

two convictions: She must not be a passive pawn in European diplomacy, but an active element. She must have a government that is at once strong and fair, guaranteeing both authority and liberty.

Under the first head, Polish policy is inspired by what might be termed "constructive pacifism." Devoted to the League of Nations, Poland is suspicious of high-sounding general formulas that represent fictitious progress and give the nations an illusory sense of security. There can be no absolute guarantees of security, any more than there can be transcendental guarantees of political and territorial integrity. Poland knows that better than anybody else. In the eighteenth century three of her rapacious neighbors decided to dismember her, taking advantage of the very treaties of guaranty which they had concluded with her. At that time no one came to her aid. The Eastern Pact of that day worked in such a way that her three guarantors came to an agreement to attack and devour her!

Security, independence, territorial integrity — these are things that one must defend with one's own might, and constantly defend, since the risk and the threat are everlasting. Any organized security resting on *bona fide* disarmament and on universal cooperation against any aggressor still remains a distant ideal.

After fifteen years of life, the League of Nations has not succeeded in effecting uniform obligations for all its members in the matter of protecting minorities. Poland filed a demand for such uniformity as early as 1921. After waiting thirteen years in vain, she declared at Geneva in 1934 that, "pending the establishment of a general and uniform system, the Polish government would be obliged to reject any collaboration with international organs as regards the application in Poland of the system of minority protection." The present system is unfair and unworkable; it requires revision from top to bottom. In making that statement Poland did not attack the principle of the inviolability of treaties. Mr. Beck clearly stated that "minority interests are and will be protected by the constitutional laws of Poland." She merely suspended the operation of a clause that had become inapplicable — the same unilateral procedure that England, France and other Powers adopted when they suspended service on the war debt to the United States. Personally, I am not so sure that the best procedure for the future lies in the generalization of agreements as to minorities. I am inclined to think that the

absorption of minorities is more practicable. The minority treaties are temporary measures, and must eventually give way to constitutional guarantees according equal rights to all citizens. In any event such guarantees must be uniform in all civilized countries.

Under the second head, we postulate the principle that a strong government is the basic guarantee of national security. We have had such a guarantee in Poland since May 15, 1926. Surrounded by a young élite, Marshal Pilsudski has been governing in accordance with principles that follow no foreign example, emanate from no foreign doctrine, but find their source in the conditions of Polish life itself. Have we a democratic or a dictatorial form of government? The Polish nation can express its opinions. Opposition parties have not been dissolved. There is freedom of thought, freedom of speech, freedom of press and assembly. But Marshal Pilsudski is in the saddle. The answer is that we have a democratic system where the government is strong. Strong democracy, I believe, is the form of government that distinguishes our moment in history.

Peace with all the world but full independence at home — such are the objectives of Polish policy. The Polish people are full of hope. They expect to succeed. They want to see their rôle in Europe enlarged. Some are astounded by such candor. Others are annoyed by what they call such arrogance. Others are merely suspicious. All of them have the habit of thinking that the restoration of Poland was due to chance and that she may soon disappear. They have not grown used to the fact that Poland both exists and will endure. Poland is not a "bridge head," she is not a "buffer state," she is not a "satellite." It is hard to say where is the dividing line between the small state and the Great Power. One thing, however, is certain. Poland is not a small country that has been magnanimously liberated and in exchange is in duty bound never to manifest a will of its own. Poland is an important state, loyal to her alliances and grateful for services actually rendered. But she is just as firmly resolved that affairs that concern her shall not be discussed and disposed of apart from her. She feels, in a word, quite competent herself to manage her own relations with all other Powers.

## SILVER, EAST AND WEST

*By H. B. Elliston*

THE ups and downs of silver have been more marked than those of any other commodity. Silver led the way in the world decline of prices. Recently it has shot up faster than any other. In the current upturn, as in the previous downturn, economic influences are deferring to such mighty political forces that the metal has become more a football of international politics than an element in world commerce. Silver has turned completely irrational.

Today the chief movement in silver is the political drain on China's stock. The last time this writer commented on the subject in this journal he was describing a political influx of silver *into* China.<sup>1</sup> That was in early 1931. China had already displaced India as the world's greatest silver consumer. It was the recipient of two flows of silver. As the only great country left on the silver standard, it was taking silver in payment of its consistent balances against the world, just as gold-standard countries take gold. Moreover, it was absorbing surplus as well as trade silver. The surplus was derived both from the progressive debasement of silver coinage in European countries as a result of the high war-time price of the metal, and from the demonetization of silver in the Oriental world. India's decision to go on the gold bullion standard in 1927 made that country the chief market factor. Left-over silver was being dumped into silver-standard China in such quantities that in 1930 the Nanking Government had actually put an embargo on the import of foreign silver coin and was contemplating the imposition of an import duty. This was the situation when the silver party in the United States suddenly conceived the notion of lending silver to China!

So quickly did the world situation change, however, that within a year China's balance of payments turned unfavorable. Consequently it was called upon to pay out silver on trade account. There was no question now of a silver loan to China. Just as China's trade position had changed, so had silver politics. Last year the time arrived when the United States Government decided not only to absorb the entire output of American mines but to appear as a buyer in world markets as well. Just as an arti-

<sup>1</sup> FOREIGN AFFAIRS, April 1931.



ficial factor had formerly intensified the suction into China, so after 1931 an artificial factor intensified the natural exodus.

The Silver Purchase Act of June 19, 1934, had for its object the steady accumulation of silver in American vaults until one of two alternative objects had been reached. One was a price of \$1.29 an ounce. The other was a one-to-three silver-gold ratio in the metallic reserves. At the time both goals seemed so far distant that a wit declared that the policy had the effect of making the United States Treasury underwrite a perpetual bull market in silver. The same remark could have been offered on the bear side in regard to Indian government sales after 1927. In comparison with the price aim of \$1.29 the current market price in June 1934 was 45 cents; and, measured by gold holdings, there was room in the American vaults for upward of 1.3 million ounces of silver, or seven years' output from the mines of the world.

At first world speculators did not take the Silver Purchase Act seriously. Had not Secretary of the Treasury Morgenthau just pleaded with Congress for a year's breathing spell from monetary legislation? Was not the law preceded by counter-arguments in administration circles against the silver arguments advanced on Capitol Hill? Even when the silver pressure became irresistible, did not the law merely express a compromise with Congress in which the President retained final authority in action? To the public the law appeared in the guise of another Thomas inflation amendment — very permissive. Silver purchases were left entirely to the President's discretion. Perhaps Mr. Roosevelt, feeling that the silver pressure was a depression manifestation (as he had every historical reason to feel), thought that as recovery progressed he might be able to put the authority away in cold storage. But the business indexes in midsummer of last year went down. So in August the purchase of silver got under way.

To date Mr. Morgenthau has acquired in the government vaults 400,000,000 ounces, of which 250,000,000 ounces have been bought abroad — a drain on foreign countries in nine months which is in excess of a full year's output from world mines. Yet as gold has also been entering the United States in about a 1-3 ratio, little progress has been made in attaining the quantity goal. The price goal is within easier reach. As a result partly of the purchases, but mainly because of the possibility of much more to come, the market price by April 26 had bounced up to 81 cents.

The Silver Purchase Act has created a furore wherever silver is used. To producers everywhere the rise in price has been a godsend. Mexico as the world's chief producer is the chief beneficiary. The hasty airplane journey of a Mexican official to Washington in April might give a contrary appearance. But the Mexican trouble lay in a temporary derangement of the external value of the "managed" Mexican currency as a result of the swift rise in price of silver beyond the melting point in the Mexican coinage. Either the peg on the peso's external value would have to be relaxed or the coins would have to be withdrawn from circulation internally and from contact with market prices externally. Mexico chose the latter course. It clamped an embargo on silver coin exports, called in the circulating silver and exchanged paper money for it. It seemed a short, sharp crisis. Offsetting it was the beneficent effect of the price rise on the product of Mexican mines.

The same profit in high silver prices inures to what the trade calls "other supplies." Silver is one of the few commodities that do not disappear in consumption — output simply flows into a pool of existing accumulations. It is these "other supplies," or above-ground "mines" in coinage, hoards, public and private treasuries, and ornaments, that are of main importance to the future of silver. If the price of silver goes up, the price of these stores must go up equally with currently mined output. Since 1492, according to the United States Mint, 15 billion ounces of silver have been mined. Of this amount probably about 3 billions have been lost, the greater portion in Davy Jones's locker along with the gallants who sailed the Spanish Main. That would leave 12 billion ounces. Much of this stock was mined on the American continent. But most of it found its way to the Orient, where no silver is produced, in exchange for Oriental wares.

Early Americans aided considerably in channelling the mined output of their continent to the East. The seafarers among them laid the foundation of many a New England fortune in the China trade. Their perennial problem was to find something besides silver to exchange for Chinese merchandise. It was not uncommon for the clippers to sail out of Salem with only ballast in their holds, loading up with "pieces of eight" in European ports for the long voyage to China around the Cape of Good Hope. Dr. Tyler Dennett, in his "Americans in Eastern Asia," tells a vivid story of the nature of the trade merely by citing a merchant's

books. He records the business of New York's leading export house trading with China in one year as: specie, \$900,000; British manufactured goods, \$356,407; American products, furs, ginseng, etc., \$60,000. He also mentions a House Committee report in the previous year as saying that "the whole amount of our current coin is probably not more than double that which has been exported in a single year to India, including China in the general term." As a result, one finds today that the yuan (Chinese dollar) is still called the Mexican dollar, or "Mex" in colloquial parlance. What happened in the case of China happened also in India as the result of the operations of the East India Company. Thus the riches opened up by Cortez and Pizarro went to Europe, stayed long enough to produce a succession of commodity price crises, and drifted on in great part to the Orient.

Perhaps the total amount of silver in India and China at present reaches as much as 6.5 billion ounces. That would be over half of the total world stocks of 12 billions. By comparison, Mexico produced only 75 million ounces of the 181 million produced last year. If Mexico stands to benefit from the enhancement of the price of silver, India and China stand to gain in even greater measure, but only, of course, if they sell their silver and if the price gain is not neutralized by currency disorders.

India would be the bigger gainer, for it has fully 4 billion of the 6.5 billion held there and in China. The store is in two forms, caches and the silver rupee. The rupee in its international relations is bound to the paper pound. Its foreign exchange value, therefore, has nothing to do with the price of silver. But in India the rupee circulating in silver is the favored currency for internal transactions. Even the note issue is still convertible into silver rupees. In 1926 the Hilton Young Commission, in recommending that rupee coins be gradually superseded by notes, proposed the removal of the legal obligation to convert notes into silver coin. The recommendation has never been carried out. Though the use of paper money is spreading slowly, the Indian people's suspicion of notes is pronounced, and might perhaps amount to a boycott if those notes were made non-convertible.

Silver as a medium of payments, however, is overshadowed by the function of silver as a bank. Banks as the West knows them are esteemed just as little as paper notes. Many Indians put their savings into silver as in a bank and investment combined. It ought not to be difficult for Westerners to appreciate this attitude to-

ward metal as a *store* of value. Many great firms in Europe are today investing their surpluses in actual gold. Just after the Michigan bank holiday, Henry Ford told the writer that people were trusting automobiles as a better repository of savings than banks. The Indian people are perennially in a similar situation.

The silver in India has still another attribute. It is more than a bank, more than an investment; it is a choice asset. An occidental collector of old books buys them as a permanent investment as well as an esteemed possession to be handed down to his descendants. Your true bibliophile does not part with an item in his collection simply because its market value goes up in terms of money. He sells only when he is in need. Much the same reasoning could be applied to the Hindu and his silver. He has altogether a different feeling from the one animating a silver miner in Mexico, the American West, or Canada, who looks upon silver only as the cash reward for his labor.

One must not be too dogmatic on this point. The fate of those who dogmatized similarly about gold is fresh before us. Before 1932 the same statement in regard to gold was made by most commissions and authorities on gold. In every textbook you will find India described as a "sink" or a "sponge" for the precious metals. But in 1932, to the astonishment of the monetary world, India started to disgorge gold, a flow which caused more than one economist, thinking of the way out of the depression as conditioned by cheap and abundant money on the basis of enlarged gold reserves, to predict that the world depression was over. The war is still being waged over the question whether the outflow was due to necessitous selling or the eagerness of the people of India to take advantage of the premium on gold created by Britain's (and therefore India's) severance from the gold standard. Perhaps both arguments are correct. World demand for Indian agricultural commodities fell sharply. Therefore the people had to dispose of their gold in buying necessary wares. Also the rajahs and speculators in India saw an opportunity for making a handsome return on gold. The outflow has since been due to the necessity under which the Indian Government finds itself to export the metal in supporting a currency that seems to be overvalued.

The question is: Would private silver come out like private gold if there were the same price incentive? Such a result is less likely. India, like Britain, seems to be past the nadir of the de-

pression. Moreover, silver is the poor man's gold, and, consequently, is less likely to be held as an investment to be turned into cash at the behest of price. There has already been enough experience to warrant this statement. Silver has doubled in price since the silver policy started, nevertheless no private silver has yet come out. Such is the Indian love for silver that distress would have to be fairly acute before the non-speculative Indian would part with his silver caches. He would cling to them with the same tenacity as a hard-pressed occidental clings to the family homestead.

While the price-boosting is certainly advantageous to the Indian people (and, it should not be forgotten, to the surplus-owning government) in increasing the value of their silver collections, it will not necessarily be advantageous to their purchasing power at home or abroad. It is this argument, it may be recalled, that the silver party have used as one of the many arguments in favor of silver buying. What advances Indian purchasing power is a greater absorption of the country's export commodities, such as jute, shellac, cotton. With the proceeds of these sales the people of India buy the industrial goods of the West — and silver. They do not buy foreign industrial goods with silver. Indeed the writer last year said that, far from exchanging their silver for industrial goods, the people of India might curb buying those industrial goods if economic adversity made the choice one between those goods and silver.<sup>2</sup> One caveat to that statement needs now to be entered. While the price of silver has been moving up, speculators in India have been among the most active competitors with Mr. Roosevelt for world supplies, the object being to unload their purchases on the United States when the price "ceiling" gets nearer.

What is of greatest moment in connection with the effect upon India of soaring prices for silver is not the effect on India's purchasing power. It is the possible effect on India's currency. A melting-point crisis would be much more serious in India than it was in Mexico. At this time, when India is being launched upon the delicate sea of self-government, it might have tremendous consequences. One can imagine the India Office in London, therefore, watching the silver experiment in Washington with the greatest apprehension. One rupee contains about a third of an

<sup>2</sup> Address before the American Association for the Advancement of Science, at Pittsburgh, December 29, 1934.

ounce of silver, and the melting point would therefore arrive when (at the existing exchange rates) silver goes a little over \$1 an ounce, that is to say far under the \$1.29 authorized by Congress. What will happen in India when the price begins to approach the dollar mark?

This question has aroused the liveliest discussion. In a long cable from London appearing in the *New York Times* of April 21, Mr. Frederic E. Holsinger, former managing editor of the *Indian Daily Mail*, Bombay, says that there would be three ways out of a melting-point crisis: (1), to raise the rupee-sterling rate from 16 pence to 24 pence; (2), to reduce the quantity of fine silver in the rupee; and (3), to raise the gold (meaning also dollar) rate of the pound. He indicated that the third course would have to be followed. He is plainly in favor of it. To him the entire silver policy appears in the guise of a club with which to "persuade" Britain to raise the pound to \$5. What a pass we have reached as a result of "devaluation competition" and monetary competition that we should be talking in terms of clubs fashioned so crudely! Certainly it could not force a change in British monetary policy. For management of the gold value of sterling (and therefore of the rupee) is dependent upon a dozen considerations superior to or equal to the Indian exchange rate.

If this argument has no merit, the argument that dollar silver might see a rise in the rupee-sterling rate has even less. Exchange rates have become the subject of keen political controversies. But the rupee-sterling rate has been in this category ever since post-war India was put on an eighteen penny rate (36½ cents) instead of the pre-war sixteen penny rate. After the war many countries devalued their currencies. Some elected to return to the pre-war rate. India was the only country that revalued at a higher rate than the pre-war rate. The controversy for a cheaper rate in the interests of the Indian export trade has gathered volume as the continued export of gold has revealed the overvaluation of the rupee. The notion that the rate might be *advanced* in order to counter the increase in the silver price of the rupee coin is, therefore, fanciful. Such a move would put the fat in the Anglo-Indian fire.

That also would be the case, it seems, if an attempt were to be made to debase the rupee. The London *Economist* hazards the opinion that Delhi would do this. The people of India, however, are well aware of the silver value of their coins. That they use the



coins as investments equally with bar silver and ornaments was revealed to the writer some time ago when an up-country lawyer told of being habitually paid in rupees dug up out of the ground. It would be politically risky to tamper with the fineness of the silver rupee. It would not be in accordance, furthermore, with precedent. After the war, when silver made its last sensational climb, the British Government debased its own silver coins, from nine-tenths to five-tenths. The Government of India, however, resisted the temptation, and today the rupee is nine-tenths pure.

What India would do, perhaps, is what every country so far faced with a melting-point crisis has done. It would either put an embargo on silver exports or impose such a high duty on them as to keep the exchange value of the rupee below its bullion point. If that did not prevent a crisis, such a crisis would not be so profound as the one that would be caused by any of the other measures. And it has the support of precedent. A melting-point crisis occurred in India when the wartime demand sent silver up to \$1.37 an ounce. The situation was met by a law making it illegal to use silver coin for other than currency purposes, and the export of silver coin and bullion was prohibited except under license. An effort also would be made to economize the use of silver in coinage. The old propaganda to persuade the people of India to use notes instead of coins would be intensified, just as was done in the last melting-point crisis, when nickel coins in small denominations also took the place of silver coins.

China benefits with India in the rise in value of its silver stores if it sells them. In China there are 2.5 billion ounces, as compared with 4 billions in India. But, as the recurrent protests from China bear out, the advantage for China in marking up its supplies is buried in the currency and commercial chaos which the Silver Purchase Act has produced. The reason for this chaos in China marks the difference between the monetary systems of that country and India. In China silver normally occupies a three-tiered throne, being the standard of value, as well as a medium of internal payments and a *store* of value. This means that China's exchange with foreign moneys *is* dictated by the price of silver. The two go together. Thus Mr. Roosevelt, in "bulling" silver, must by the same token "bull" Chinese exchange.

It is China's exchange problem that, among the various repercussions of the American silver policy, has attracted the most attention. Senator Key Pittman calls the tale of China's tribula-

tion as told to the United States Treasury by Chinese spokesmen "utter rot." This is hardly fair, though the Senator would be on sure ground if he explained that, as we have already seen, China began to ship out silver originally because of the turn in its balance of payments from favorable to unfavorable. How even a high exchange could be disadvantageous to China should be no problem to Americans to understand when it is remembered that they were told so freely in the early days of 1933 that all their troubles were due to high American exchange in relation to the pound. Theoretically, a high exchange hurts exports and encourages imports. An *increasingly* high rate of course makes the situation much worse. It upsets the balance between the export and import trade and ends up by making both of them a sheer gamble. It tends so to overvalue the currency that the overvalued nation is drained of its metallic reserves in keeping up the rate. This reacts further on commerce.

The effect of American silver buying is plain in the figures of China's foreign trade. In February 1935 (the last figures available), exports from the United States to China, which were to be advanced by the increase in the price and therefore the purchasing power of China's silver, *dropped* by 24 percent as compared with the preceding February. And imports into the United States from China, which by the same token should have declined, *increased* by 19 percent. If the American silver group imagined that any people would long tolerate such an obvious manipulation of the exchange in the interests of a foreign nation's exports, they had quickly forgotten their own experiences. Before the end of June 1934 (the month of the Silver Purchase Act), China had raised its tariff, and the increases bore severely on American goods. It proceeded to take currency action by way of further fortification. Just as the United States took the peg out of its relatively high exchange rate in March 1933, so China, after futile protests to Washington, followed suit on October 15, 1934.

The Chinese, however, did not suspend silver payments *internally*. With a people who use hard money in their everyday transactions this was impossible. What they did was to try to shield their exchange from the market price of silver. An export tax was imposed. To it was added a so-called equalization charge, intended to rise in sympathy with the difference between Chinese exchange and outside silver prices. The object, of course, was to break the link connecting Chinese exchange with the price of

silver by shutting off the Chinese silver market. The effort has been only partly successful. From 33 cents at the time of the Silver Purchase Act, the Chinese yuan had risen by the end of April 1935 to 41 cents, or a 24 percent increase, as compared with a rise of silver from 45 cents to 73 cents, or 60 percent.

The difficulties in the way of effective Chinese control are many. One is smuggling. The other is the Nanking Government's lack of authority over the banks.

Efficient as is the foreign-officered customs service, Chinese smugglers are even more efficient. Their efficiency, coupled with the nearness of the market in silver-standard Hongkong, will make the illicit traffic in silver a thorn in the Chinese Government's side so long as the present problem exists. Smuggling will of course thrive as the margin between Chinese exchange and the price of silver advances, for the temptation to run silver across the border would be increased *pro tanto*. Yet, if the Chinese push the equalization charge too close on the heels of soaring silver, they risk loss of confidence at home; hence more chaos, more deflation. All that they have done so far is to straddle the dilemma.

But, if this smuggling problem is seemingly insoluble, the Chinese authorities are moving energetically to cope with the second obstacle, namely that arising out of their lack of control over the banks. Banks as well as smugglers at first found irresistible the temptation to profit by the exchange. At the end of April of this year a tidy profit could still be made. For, though the exchange rate of the yuan was 30 percent below its foreign parity, the export tax and the equalization charge on exports of silver did not cancel the difference, but allowed a profit to the exporter of Chinese currency of as much as 12 percent. Not as much as the smugglers could make, but, none the less, a sizable profit in these days of thin margins.

In China the foreign banks are even more important than the native ones. The Nanking Government is faced with the dilemma that the foreign banks, as a result of their extraterritorial privileges, are not under its jurisdiction. Knowledge that these banks were not coöperating to prevent speculation in exchange was aired freely in the Chinese press last September. Particularly was criticism centered on the great British bank, the Hongkong and Shanghai Banking Corporation. Latterly, however, some degree of coöperation appears to have been attained. In respect of the foreign banks, it rests upon a pledge not to play the exchange

market. In so far as the Chinese banks are concerned, the Nanking Government has obtained control over the three leading Chinese banks, which hold nearly 68 percent of the Shanghai silver stocks. Another 17 percent is held by the foreign banks now pledged to coöperation.

China's disillusionment with the United States has caused Chinese statesmen to lose that sense of decorum for which they are legitimately renowned. Very abrupt is the comment of the Committee appointed by the Nanking Government to study the silver crisis. "The silver-buying policy of the United States," it says, "is akin to the straw that broke the camel's back." Note the acknowledgment of the pre-existing burden on China's back arising from the unfavorable turn in its balance of foreign payments. With western frankness, T. V. Soong says: "I can see no sense in the American policy. Nor can anybody else." Mr. Soong is the new head of the Bank of China. As Minister of Finance, he traveled to the United States in 1933 to participate in the famous conversations in preparation for the unfortunate World Conference. Not only he, but all other Chinese visitors at that time refused to tell the American public the simple fact of Chinese requirement vis-à-vis silver, namely, that just as the gold standard world requires stability in the purchasing power of gold in commodities, so silver standard China requires stability of silver in terms of other commodities. The word "stabilization" was constantly on Mr. Soong's lips. At that time he and his colleagues were disturbed because of the deep dip in silver compared with other commodities. Yet he must have known that stabilization as used by the silver party in the United States was a poetic word meaning a boost in price without regard to any other commodity. He refused to lend the prestige of his name to those who were trying to explain China's real interest in silver, making them seem, in the eyes of the American silver party, incompetent judges of the silver case as it looked from China. We may recall in especial the surprise and chagrin in certain departments in Washington when the terms of the Soong-Roosevelt communiqué of May 19 was announced. Mr. Soong allowed himself to say jointly with the President: "We consider it essential that the price of silver, the great medium of exchange of the East, should be enhanced and stabilized."

This is not to say that Mr. Soong rendered a complete disservice to his country. Among other things he wished to do his

part in enlisting American political interest in China's struggle with Japan. Mr. Soong sacrificed his country's economic interests to its political interests to the extent of going on to the World Economic Conference and solemnly participating in a silver agreement (widely touted as the only constructive achievement of that ill-fated parley) under which China agreed not to sell any demonetized silver. China, that is to say, was not to go off the silver standard. This self-denying ordinance was ironical enough. In retrospect it looks positively ludicrous. For the ink was scarcely dry on the agreement when the American silver party which had manipulated it started to drive China off the silver standard by pushing up the price of silver artificially. The agreement bound the parties to "mitigate the fluctuations in the price of silver" and to provide for its "effective stabilization." The extent of the "mitigation" in fluctuation is revealed in the most astonishing price rise in history — from 35½ cents an ounce on the day the London pact was signed to 81 cents on April 26, 1935. As to stabilization, even the fastest-moving commodity price level in the world of prices — namely, the American price level — has gone up only 17 percent, as compared with this rise in silver of over 100 percent. Stabilization is, indeed, a very flexible word.

The crisis in China is, as we have shown, no means over. If silver continues to soar toward the American statutory goal of \$1.29, it will get worse. How can the harassed Chinese cope with it? Several steps have been suggested: (1), that China should "manage" or "regulate" its currency independently of fluctuations in gold and silver values; (2), that it should devalue its currency; (3), that it should tie its currency to a foreign currency, either sterling or a gold currency; and (4), that it should go on the gold standard.

Devaluation is probably the least likely development. With silver movements still in the lap of the gods, a devaluation would simply mean that the Chinese yuan would be attached again to a metal in flight. It is the vagaries of silver more than the price of silver that disturbs China. Under devaluation the vagaries would not be wiped out. The Chinese yuan would soar again, though at a lower altitude. Internally the problem would be just as great as externally. Silver in China is neither in government nor bank vaults. It is in the hands of the people. And it circulates at practically its bullion value. Chinese in general are not interested in dollars or yuan as such. Whereas we in the West

look upon the dollar as a thing-in-itself, the Chinese look upon the silver value in the coin or the contract. Honest metal is their safeguard against dishonest government of the kind that disfigured the Manchurian governments in the Chinese republican régime. Devaluation would thus involve much more than the rewriting of existing contracts in a country where no Supreme Court is law. It would involve the actual calling in of metal for some old-fashioned coin-clipping of the kind for which Dante consigned the mediæval monarchs to his Inferno and with which Henry VIII helped to fill his privy purse. It is difficult to say which would be more difficult in China: the rewriting of contracts or the coin clipping. Bear in mind as a final evidence of the nature of the problem that the writ of the Nanking Government does not even control the activities of some of the mints.

The other suggested steps require as a *sine qua non* the building up of foreign balances. This would be no less necessary in moving on to the gold standard than in forming the gold exchange or sterling standard. China has little gold left. It certainly could not use the silver it has already lost to buy any! Moreover, such is the condition of its international balance sheet that an outward flow of silver is still necessary in settlements. In other words, China is on a deficit basis. At this rate it cannot build up foreign exchange balances.

This latter consideration is keeping alive the project of an international loan for currency stabilization in China in relation to either the gold or sterling exchanges. That would be a fit subject for a vivid chapter in the history of these irrational monetary times. After disorganizing the Chinese exchange, we propose to lend China the money to put it right; and, to make the irony more ironic, to keep it down, when currency loans are usually made for the purpose of supporting currencies. Perhaps this latter phase of the proposed loan, however, is no more peculiar than the spectacle of a British Treasury official at Geneva advising the gold bloc in Europe to default on their gold payments. In present circumstances the loan would have to be very large to be at all efficacious.

All the suggestions imply that China is still on the silver standard. Monetary terminology has been all but deprived of meaning by the currency experimentation produced by the depression. When the United States, after leaving the gold standard in March, again left that standard in April, Secretary of



the Treasury Woodin, on being told the news, is reported to have exclaimed "What, again?" Similarly, if we mean free and ready convertibility of currency into metal over international borders as the condition precedent of a metal standard, China deserted the silver standard on October 15, 1934. It does not matter that internal payments are still being made. China has a "managed" currency in the sense that, like Great Britain, it regulates the foreign value of its currency independently of metal. We must conclude, therefore, that step No. 1 has already been taken — that China should "manage" or "regulate" its currency independently of fluctuations in silver or gold values.

It will be observed that all these discussions revolve around alternatives to the silver standard. Such a prospect should be of serious moment to world silver producers. For China is the last grand stalwart of silver — that is, unless the United States intends to take its place. This evolution is apparently what the Mexicans feel to be imminent. Mr. Lopez, in his public reference to the Morgenthau-Lopez conversations in April, said: "Mexico cannot but look favorably upon the revalorization of the metal." Revalorization is as suspicious a word as stabilization. It looks as if the Mexicans were counting on Mr. Roosevelt to lead the world to bimetallism or some other form of gold-silver standard.

Otherwise they must already have asked themselves: What will happen to the price when American silver requirements are met? What will happen then to world silver? Surely, when the hand of Mr. Roosevelt has been withdrawn, it must relapse to a market supply and demand basis. And with country after country (including even the greatest producer, Mexico) substituting paper money for silver coinage, the demand basis may be much thinner. Perhaps the time may not be so distant when another article may have to be written treating of another silver crisis arising out of another rash of debasement and demonetization.

## LAYING DOWN THE WHITE MAN'S BURDEN

*By Nicholas Roosevelt*

**M**ANY of us who before the passage of the Hawes-Cutting Bill were vigorously opposed to granting the Philippines that "complete, immediate and absolute independence" for which Filipino politicians had so long campaigned, are today in favor of Philippine independence and believe not only that it should be complete and absolute but that it should be granted at the earliest possible moment. The Filipino politicians, on the contrary, are the ones who today are opposing independence.

Why the change? Because through the passage of the McDuffie-Tydings Act the American Government has surrendered virtually all authority over the Philippine Islands. The new bill, under the terms of which the Filipinos have established a constitution of their own, effective after the autumn of 1935, gives the Filipino politicians full control of the islands but leaves full responsibility for them in the hands of the American Government for a period of at least nine years. The United States is pledged to defend them against external aggression, although it cannot prevent Filipino politicians from taking steps which may be highly distasteful to one or another of the great Asiatic powers. This pledge to defend the islands is binding until the "transition" period ends on December 31, 1944.

The relationship of "responsibility without authority" is one against which all Americans familiar with Philippine problems have constantly given warning. In view of unsettled world conditions, and in view of the tense situation which has existed in the Far East ever since September 1931, the "transition" period, during which the United States Government retains full responsibility for the Philippine Islands without commensurate authority, clearly will be a dangerous one.

Unfortunately Filipino politicians are now trying to induce Congress to prolong this "transition" period indefinitely. From their point of view the new relationship is ideal. They have full powers in the islands and America has no right to interfere. They need not worry about their defense because this remains an obligation of the American Government. So long as the "transition"

period continues their public debt will remain underwritten by the United States. Thus they have the advantages of a partnership with a great and powerful country. The United States, on the other hand, has the disadvantages of having to protect an alien people in a distant corner of the world.

Should they fail to obtain an indefinite prolongation of the new relationship the Filipino politicians may be counted upon to try to involve the United States in a treaty guaranteeing the independence or neutrality — it amounts to the same thing — of the Philippine Islands after the final separation. Such an arrangement would, if lived up to, relieve them of the necessity of maintaining an elaborate system of defense and would remove the fear of foreign aggression. Incidentally this arrangement would doubtless commend itself to Great Britain and the Netherlands inasmuch as these two nations are concerned about the ultimate consequences of Philippine independence and the possibility of Japanese expansion towards the Dutch East Indies, Singapore and Australasia.

A number of influential American naval officers believe that it is desirable to retain a naval base in the Philippines after the transition period is over. American advocates of "complete, immediate and absolute independence," on the other hand, contend that such a base would simply involve the United States in the Far East and would nullify whatever advantages there might be in evacuating the islands completely. In other words, the retention of such a base would be played up by the Japanese as an act "unfriendly" to Japan. Inasmuch as there is little likelihood that such a base could be of real value in the event of a war, it seems hardly worth while to incur Japanese ill-will with no adequate compensating advantage to the United States. The McDuffie-Tydings Act defers the final settlement of this question to future negotiations between the Philippine and the American Governments.

Ten years ago — even three — there still was a chance for the United States to follow the proper course in the Philippines. But Congress, pressed by selfish business groups, and supported by many persons who were well-meaning but not well-informed, played into the hands of the Filipino politicians. When critics insisted that these politicians did not want independence they were denounced for impugning the integrity of the Filipino people. The truth is now at last being understood. What the Filipino

leaders wanted and still want is complete autonomy under American naval protection, underwritten financially, if possible, by the Government of the United States. Now that independence is at last definitely provided for, the Filipino leaders are doing all in their power to prevent the United States from withdrawing.

It may be asked why we cannot prolong the period of transition established under the McDuffie-Tydings Act, increasing meanwhile our authority in order to lessen the risks involved in having responsibility without adequate control. The answer is that human considerations and political experience teach that political powers once surrendered to an alien people cannot be taken back without arousing so much bitterness that the new relation is intolerable for both parties. As we cannot reestablish our authority, the only logical course is to get rid of our responsibility.

Unfortunately, even for the United States to be relieved of responsibility for the Philippine Islands does not relieve it — or the world — of the consequences of a grant of independence. Our withdrawal will upset the balance of power in the Far East and create a new world condition containing elements of utmost gravity.

The proposition may be stated simply: that just as American Far Eastern policy prior to 1934 was based on the retention of the Philippine Islands, so it must henceforth be based on their independence. The possession of these islands together with Alaska, Panama and Hawaii made the United States one of the three dominant Powers in the Pacific. The naval base in the Philippines greatly strengthened America's traditional stand with respect to China, best epitomized in the so-called Open Door policy, which sought to preserve the territorial and administrative integrity of China and equality of commercial opportunity there for all nations. The American Government insisted on the Open Door vigorously only for a short time, but it still remains one of the principal traditions of American foreign relations.

Secretary Henry L. Stimson re-affirmed this policy when Japan occupied Manchuria in the autumn of 1931. Due to the fact that the American Government had in the meantime lost sight of the relation between policy and armament, and had neglected the navy during the decade following the Washington Conference for the Limitation of Naval Armaments, whereas Japan during this same decade had been pushing the construction of her navy to

reach treaty strength, the United States found itself in 1931 in a perilous position. War was indeed much nearer than anyone — including some gentlemen in the State Department — realized. The reason was that America was making a vigorous diplomatic protest against the action of a Power which was determined to proceed with its policy of expansion regardless of consequences. The American Government had either to be ready to back up its protest with force, or, if this protest were ignored, and the co-operation of other Powers were lacking, to admit its impotence in carrying out its policies single-handed.

In choosing the latter course our Government probably had no alternative. But the fact that it did so choose has stiffened the Japanese military and naval leaders in their determination to dominate all of Eastern Asia. Prior to Secretary Stimson's protest about Manchuria they were afraid that the American Government might offer effective opposition to their ambitions. They soon ascertained, however, that they could go as far as they wanted not only in expanding on the Asiatic mainland but also in denouncing the naval treaty. They counted — and still count — on the clumsiness of our political machinery to delay the execution of any naval construction programs voted by the Congress.

It is proper at this point to raise the question as to whether or not the Philippines would be "safe" if Japan signed a treaty pledging herself to uphold their independence. Those Americans who favor an international guarantee of neutrality believe that the interest of the British and the Dutch in keeping the Japanese out of the Philippines is so great that in the event of a threat to the Philippines these two Powers could be relied upon to give immediate and effective assistance to the American Government in carrying out the terms of the agreement. The opponents of such an arrangement contend, however, that no treaty of neutrality has proved really effective. Furthermore, they express the fear that because of the past close relationship between the Americans and the Filipinos the other signatories to such a treaty would take the position that it was up to the United States to shoulder the chief burden of defending the islands. In other words, if the other signatories thought that the United States could and would by itself protect the Philippines they would sit back and do little or nothing to help. The net result of such an attitude would be that the United States would find itself involved in questions concerning the Philippines after it no longer had even the tenuous

relationship existing during the "transition" period which ends December 31, 1944. In brief, the opponents of a neutralization treaty base their arguments on the fact that as a signatory to this treaty the United States would still have a preponderant share of responsibility for the islands. This they believe to be contrary to the best interests of the United States, which, in their opinion, call for a complete severance of all ties.

As far as Japan is concerned, the record, unfortunately, does not warrant one in placing much reliance in a treaty neutralizing the Philippine Islands. Many Americans insisted even after the Mukden incident in September 1931 that Japan had no intention of occupying Manchuria permanently. They pointed to the Nine Power Treaty of which Japan was a signatory and asserted that Japan neither could nor would fail to live up to the treaty provisions. One of the clauses stated specifically that the signatories pledged themselves "to respect the sovereignty, the independence, and the territorial and administrative integrity of China." Japan nevertheless went ahead with her Manchurian plans and although Manchuria today is nominally an independent state, no realist denies that its government is the tool of Japan. Some of us cannot be blamed, therefore, for doubting that a treaty proclaiming the neutrality of a coveted and comparatively under-populated insular region in the Far East would be any more respected than was this pledge in behalf of China.

It goes without saying that if Japan attempted to take the islands during the "transition" period the American Government would have to fight to defend them. It is unlikely that the Japanese military and naval leaders will be sufficiently unhinged to make the attempt. But Japan's long-range overseas policy seems for some time to have had the Dutch East Indies as its ultimate objective. The Philippines are in her path. The northernmost of the Philippine Islands is only 65 miles from the southernmost of Japan's present insular possessions in the Pacific. The Philippines, furthermore, would be useful on their own account. They are rich in undeveloped resources and could hold a population perhaps four or five times as great as they have at present. Can we suppose that Japan, suffering from a lack of raw materials and from excessive over-population will not be interested in the fate of these islands eventually?

The argument in favor of complete withdrawal gains weight when we recall the American inclination to sympathize with the



under-dog. There can be little doubt that if after the "transition" period is over the Philippines should be in danger from some foreign power there would be a demand that America step in to help its former wards. Such an argument would be based on a "moral obligation" to the Filipinos. As a matter of fact, a strong case can be made to show that, if any moral obligation toward the Filipinos existed, this was violated when the McDuffie-Tydings Act granted the Filipinos premature independence. The American Government undertook in 1899 to do many things for the Filipino people. It promised to establish a stable government and to lay the economic foundations of a state that in time was to be self-supporting. It promised to prepare the Filipinos for self-government. It sought to break down the barriers of illiteracy. It undertook to eliminate the diseases which took their great toll yearly.

While important progress has been made toward carrying out these promises during the thirty-five years of the American occupation very much still remains to be done. The American people have followed the easy course of using the cloak of freedom to hide their weariness of the task of serving as colonial administrators. It is this withdrawal before the promises have been completely carried out which constitutes the real blot on the record of the United States.

It is one of the ironies of Oriental psychology that withdrawal from the Philippines, whether after a transition period of ten years or at once, will be interpreted in the Far East as final proof of the timidity of the United States and of its unwillingness to protect its own best interests. It goes without saying that to leave the Philippines means to abandon the Open Door policy in China and definitely to surrender American hopes of winning a dominant commercial position in the Far East. It is questionable if these hopes were ever soundly based. Certainly there is no likelihood that America's China trade within the next few decades can reach such proportions as to be worth fighting for. But whatever the correct estimate of China's commercial potentialities, the United States will have to adjust itself to the idea of complete Japanese domination of Chinese markets.

The foregoing means, in brief, adopting a "little America" policy. Strong arguments can be made in favor of it. As a matter of fact, the philosophy of economic nationalism which has won so much support leads logically to such a doctrine. It will be achieved

only at the expense of loss of prestige and influence in the world. But should it result in a clearer appraisal by the American people of American shortcomings, and bring national humility in place of the extravagant "spread eagleism" of past decades, it may have spiritual advantages offsetting in part the humiliation of avowing to the world our failure as a colonial power. If, on the other hand, America congratulates itself that it has completed its Philippine task satisfactorily and that it can henceforth live without fear of war in Asia, it will risk inviting the ultimate challenge of more virile nations.

To accept half-way measures seems almost certain to invite disaster in the future. The original choice was plain: to retain the islands and govern them effectively, in accordance with the obligation as trustee for the Filipino peoples; or to get out, "lock, stock and barrel." The former course having been rendered impossible, wise policy would seem to dictate giving the Filipinos "complete, immediate and absolute independence" at the earliest possible moment.

# THE NEW CONSTITUTION OF THE PHILIPPINE COMMONWEALTH

*By Maximo M. Kalaw*

The Filipino people, imploring the aid of Divine Providence, in order to establish a government that shall embody their ideals, conserve and develop the patrimony of the nation, promote the general welfare, and secure to themselves and their posterity the blessings of independence under a régime of justice, liberty and democracy, do ordain and promulgate this constitution.

**S**O RUNS the preamble of the new Constitution of the Philippine Commonwealth, adopted by the Constitutional Convention February 8, 1935, approved by the President of the United States on March 23, and on May 14 ratified in a plebiscite of the Filipino people.

The first thing that a reader interested in Philippine affairs will probably inquire is as to the nature of the Commonwealth Government which is being established. Will it be a semi-independent state? There is no doubt that when the American Congress adopted the name "commonwealth" it was inspired by the precedents of Anglo-American history in which "commonwealth government" has always meant self-government or autonomy. It is probably the highest type of self-government compatible with a colonial or dominion status. The word "commonwealth" was used in England in the sixteenth century and was the accepted translation of the classical expression, *res publica*. Sir Thomas More in his famous "Utopia" so used it.

More specifically, the term "commonwealth government" was given to the English government which existed from the abolition of monarchy in 1648 until the establishment of Cromwell's Protectorate in 1653. Since that time, a commonwealth government has carried the significance and the traditions of a free, autonomous government. This idea was transported to America by the liberty-loving immigrants. James Russell Lowell referred to the colonies of America as the "sturdy commonwealths which have sprung from the seed of May-flower." The term has been applied both to governments with nominal kings and to purely republican institutions.

That this type of autonomous government is what is contemplated for the Philippines is also to be gathered from the various

provisions of the Independence law. It seems to be the purpose of Congress to extend a partial grant of sovereignty, acting, therefore, on the theory that sovereignty is divisible. In various parts of the independence act we see provisions to the effect that the governmental powers are granted to us pending the "final and complete" withdrawal of the sovereignty of the United States, implying thereby that there is a partial grant of sovereignty. This expression has been used several times. It is clearly repeated in Section 10 that upon the expiration of the transition period the President is directed to "withdraw and surrender all right of possession, supervision, jurisdiction, control or sovereignty *then existing and exercised* by the United States in and over the territory and people of the Philippine Islands. . . ."

The only limitations imposed are the mandatory provisions in the Tydings-McDuffie law. These are (1), that the constitution to be drafted shall provide for a republican form of government; (2), that it shall contain a bill of rights; and (3), that it must respect some sixteen enumerated provisions about trade relationships, allegiance of Philippine officials to the United States, public debt, maintenance of an adequate system of public schools primarily conducted in the English language, foreign affairs, certain powers of the American Government with regard to intervention, equal civil rights of Americans and Filipinos, powers of the United States to maintain reservations, certain laws that require presidential approval, and review of the decisions of the Supreme Court of the Philippine Islands by the Federal Court of the United States.

Subject to such limitations, the Constitutional Convention which was elected on July 10, 1934, proceeded to draft the constitution of the Commonwealth. On October 26, 1934, a subcommittee of the Committee on Sponsorship submitted a draft which became the basis for discussion. On January 31, 1935, the discussion was finished and the draft was then submitted to the Style Committee for minor changes. The Convention finally approved the draft on February 8, 1935.

What exactly is the nature of the government which it is proposed to establish under this Constitution? What is to be the fate of those institutions which the United States implanted in the islands?

The Constitution of course respects the injunction that the government to be established must be republican in form. But

even without any such inhibition the ideals of democracy are bound to be maintained in the Philippines. As far back as 1898, the Malolos Constitution of the late Philippine Republic provided for popular sovereignty, being the first constitution in the Orient to establish such a principle. It therefore is not surprising that the constitution of the Commonwealth should provide that the Philippines shall be a republican state, that sovereignty resides in the people, and that from the people all government authority emanates.

The form of government established is the presidential system. This shows the impact and permanence of American institutions. There shall be a President, elected directly by the voters of the Philippine Islands. With him will rest the supreme executive power, as well as the veto power not only of all legislation but also of any separate item or items of an appropriation or revenue law or tariff act. The President is to be elected for a term of six years and will be ineligible for the following term. In a sense, he will be a great deal more powerful than the President of the United States, for the new government will continue the unitary character of the present government. He shall have control and supervision over all provinces and municipalities. Under the present system, the elected provincial and municipal officials are at the beck and call of the central government. The President must be a natural-born citizen of the Philippine Islands. He is to occupy the historic Malacañang Palace, as provided for in the Tydings-McDuffie Law. He shall have the power of appointment, but subject to confirmation by the Commission on Appointments of the National Assembly.

It is in the Legislative department that innovations have been made. In the first place, a unicameral legislature, called the National Assembly, is to be established. In this respect, the Philippines follows the example of a number of European states. The members of the National Assembly shall not exceed 120, to be chosen every three years and to be apportioned among the different provinces. At present there are 98 members of the lower house of the Philippine Legislature. This is to be continued until the National Assembly shall otherwise provide. Some members who are at present appointed by the Governor-General to represent mixed Christians and non-Christians are to be elected.

It was decided to abandon the bicameral system and eliminate the Senate for several reasons. The Senate was elected by the

same set of voters as was the House of Representatives, the only difference being that the Senate members were elected from larger constituencies. The Senate never really developed a different character from that of the lower house. Sometimes it was believed to be more radical; at other times it was thought to be more conservative. There was no fixed responsibility for legislation under the bicameral system and there was much "passing of the buck." As a result, the chief responsibility for legislation really fell into the hands of the Governor-General, through his power of veto. Since the time of General Wood an average of from one-fourth to one-third of all the bills approved by both houses of the Legislature have been vetoed. An added reason for the abandonment of the bicameral system probably was the cost of legislation. An investigation made of legislative costs in 1927 revealed that for every bill introduced 13,216 pesos were spent, and that for every bill enacted 22,847 pesos were spent.

Another innovation is an Electoral Commission, to be set up to decide election contests. Formerly, as in the typical American state legislature, each chamber was the sole judge of the election and qualification of its members. Now all election disputes shall be judged by an Electoral Commission to be composed of three Justices of the Supreme Court (designated by the Chief Justice) and six members chosen by the National Assembly, three of them nominated by the party having the largest number of votes therein, and three by the party having the second largest number of votes.

A wholesome prohibition is presented in Article VI, Section 8, which provides as follows:

No Member of the National Assembly shall directly or indirectly be financially interested in any contract with the Government or in any subdivision or instrumentality thereof, or in any franchise or special privilege granted by the National Assembly during his term of office; nor shall any such Member appear as counsel before the Electoral Commission or any court in any civil case wherein the Government or any subdivision or instrumentality thereof is the adverse party, or collect any fee for his appearance in any administrative proceedings or in any criminal case wherein an officer or employee of the Government is accused of an offense committed in relation to his office. No Member of the Commission on Appointments of the National Assembly shall appear as counsel before any court inferior to the Supreme Court.

Another prohibition is found in Section 8, Paragraph 1, which provides:

No Member of the National Assembly may hold any other office or employment in the Government without forfeiting his seat, nor shall any such Mem-



ber during the time for which he was elected, be appointed to any civil office which may have been created or the emoluments whereof shall have been increased while he was a member of the National Assembly.

There is created in the National Assembly a Commission on Appointments which shall confirm or reject appointments. This body succeeds the Senate as a confirming body. No member of the Commission on Appointments shall appear as counsel before any court inferior to the Supreme Court. This was stipulated in order to correct a previous practice whereby members of the Senate had a great deal of influence upon judges, due to the Senatorial power of confirmation.

An attempt has been made to set up a budget system under which the Executive will have responsibility for the budget he presents. Article 6, Section 9, Paragraph 1, provides that within fifteen days of the opening of each regular session of the National Assembly the President shall submit a budget of receipts and expenditures, which shall be the basis of the general appropriation bill. The National Assembly may not increase the appropriations recommended by the President for the operation of the government as specified in the Budget, except as regards the appropriations for the National Assembly and the Judicial Department. The form of the Budget and the information that it should contain shall be prescribed by law. The principle, however, of the English budget system is not copied *in toto*, inasmuch as the prohibition of the Assembly to increase appropriation measures does not include public works bills. In other words, the American "pork-barrel" system is to be continued in spite of the serious denunciations made against it by prominent officials and other citizens of the country.

Some departure from presidential rule is to be found in Article VI, Section 10, whereby the heads of departments may, upon their own initiative or upon the request of the National Assembly, appear before and be heard by the National Assembly on any matter pertaining to their departments, unless the public interest shall require otherwise and the President shall so state in writing.

To avoid a rush during the last days of a session, when many bad bills used to be adopted, Article VI, Section 12, Paragraph 2, provides that no bill shall be passed or become a law "unless it shall have been printed and copies thereof in its final form furnished the Members at least three calendar days prior to its pas-

sage by the National Assembly, except when the President shall have certified to the necessity of its immediate enactment."

Slightly more independence has been provided for the Judicial Department. In the past, complaints were numerous to the effect that political considerations unduly influenced the judiciary as a result of the power of the Senate to transfer judges from one district to another. Some members of the Constitutional Convention even proposed that judges be not appointed with the consent of the Legislature; but that plan was turned down. However, Article VIII, Section 7, provides that no judge appointed for a particular district shall be designated or transferred to another district without the approval of the Supreme Court. The National Assembly shall by law determine the residence of judges of inferior courts.

Section 10 of the same article provides that no law may be declared unconstitutional or invalid by the Supreme Court without the concurrence of two-thirds of all the members of the Court. This is in line with the suggestion heard even in America that the power of the Supreme Court to declare laws unconstitutional by a narrow margin should be curtailed.

The President, the Vice-President, the Justices of the Supreme Court and the Auditor General are removable from office on impeachment for the commission of high crimes.

According to President Claro M. Recto of the Convention, the Constitution tries to reconcile what he calls classic principles with modern tendencies. To some this will seem a mixing of oil and water. The Supreme Court will probably have to determine what is oil and what is water — and maybe throw away the water. For instance, the American Bill of Rights has been copied in the Constitution almost verbatim. Yet we find that Article XII, Section 6, provides that the state may, in the interest of national welfare and defense, establish and operate industries and means of transportation and communication, and, upon payment of just compensation, transfer utilities and other private enterprises to public ownership to be operated by the government.

Certain provisions are in the nature of declarations of principle, and these will require further legislation by the National Assembly if they are to be effective. Thus, in Article XI, Section 1, it is provided that all appointments in the Civil Service except those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to merit and

fitness, this to be determined as far as practicable by competitive examination. This is a notable statement of the principle of civil service. But unless it is supplemented by legislation carrying the proper penalties, politicians will find a way to appoint men of their own choice and not in accordance with standards of merit and fitness. Section 2 of the same article embodies another laudable principle, whereby officers and employees in the Civil Service, including members of the armed forces, shall not engage directly or indirectly in partisan political activities or take part in any election except to vote. Here again there is need of supplementary legislation providing punishment for violations.

The decision to establish a presidential system of government will be welcomed by most Americans who have wondered why their system of government has not been followed outside of the two American continents. But the proposal made by some members of the Constitutional Convention to establish the cabinet system met with very little support.

It might be interesting at this point to note that the presidential system has not generally met with success in South America. The consensus of opinion among many writers seems to be that the South American countries made a mistake in copying the American system of government *in toto*. It is adduced as one of the reasons why so many of those countries have been converted into dictatorships. Now in tradition, in temperament and in the background of Spanish culture the Filipinos seem more akin to the South Americans than to the people of the United States. However, we have led ourselves to believe, with some reason, that the Oriental in us makes us law-abiding and that the thirty years of American guidance have given us a different outlook from South Americans. On the other hand, our addiction to supporting the party in power, our respect and even fear of the constituted authorities, certainly are not American characteristics.

Our unbalanced party system will be a strong handicap on the successful operation of the presidential system. Since the establishment of national representative institutions in 1907, the Filipino people have invariably supported the party in power. Under the Philippine Commonwealth, and even more under an independent government, the presidential system may so entrench a certain party in power as to make it almost impossible for any minority to win unless by means of a revolution.

It has been said that the greatest virtue of the presidential system is its stability. It is true that stability is generally a virtue. But the result of the continuous victory of the party in power may produce a sort of stability that may ripen into dictatorship, and that dictatorship may lead to revolution. The cabinet system, on the other hand, has the opposite defect. Through its frequent changes of government it often produces instability. But, under the circumstances, the very fact that the cabinet system tends to change governments more often than the presidential type does should win us to its favor. The worst criticism of the cabinet system is that if there are not two well-balanced parties the government is likely to be unstable. Considering the fact that the Filipinos have been so accustomed to supporting the party in power, I do not think that we are likely to change to such an extent that we will upset the government on slight pretexts. Admitting the fact that all representative democracies on a large scale must be governed by parties, I believe that in order to offset the evils that come from our characteristic party system that form of government which facilitates an easier change of power should be favored.

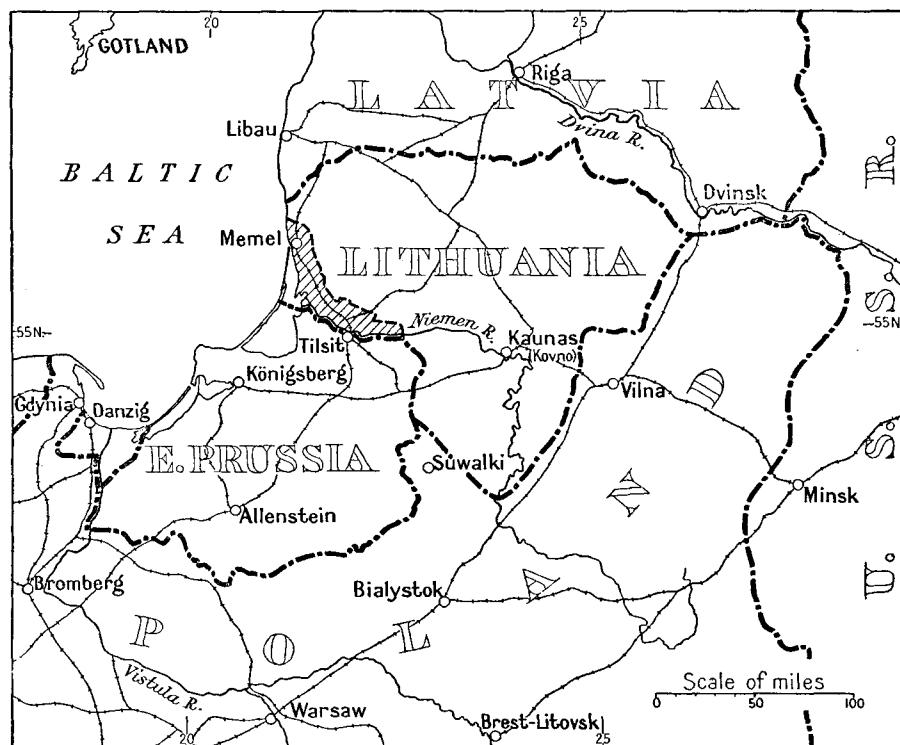
Perhaps realizing the danger of a purely party system during the first years of the Commonwealth, President Quezon has suggested that Senator Osmeña, leader of the minority party, shall run with him for Vice-President. One or two other leaders of the minority party may be given important positions and thus a sort of coalition may be formed. The result would be practically a one-party system.

# AGAIN THE MEMEL QUESTION

*By Edgar Packard Dean*

**T**HERE is a strange contrast between the history of this sleepy Baltic port in the centuries prior to the Paris Peace Conference and its prominence in the subsequent fifteen years. Until 1917, Memel had few claims to fame. As a port it was surpassed by the greater activity of Königsberg and Danzig. Historically, it was overshadowed by Tilsit, that city farther up the Niemen where Napoleon and Alexander of Russia had divided the world between them.

In 1919 Memel City and its hinterland were separated from East Prussia. The unit comprised an area of 945 square miles and a population of 150,000



(25,000 Germans and 125,000 who consider themselves Lithuanians). To Germany's protests the Allies answered that although the city of Memel was largely German, the hinterland was Lithuanian in sympathy. Furthermore, Memel was the only outlet to the sea for the newly created state of Lithuania. Until that country had definite boundaries (she had a continuing conflict with Poland after Zeligowski's seizure of Vilna in 1920), the Allies continued to rule Memel. They wished to make Memel available for Lithuanian commerce but were not willing to give Lithuania unconditioned sovereignty over the Territory.

The period of inter-Allied government was scarcely a happy one. The Germans in Memel Territory demanded the status of a free city, such as Danzig, for they considered this the quickest route to reunion with Germany. Even Lithuania had little respect for the port which supposedly was to serve her needs. She erected customs barriers between herself and the Territory, and directed her own trade to Königsberg and Libau.

The stalemate was ended in January 1923. A filibustering expedition of Lithuanian soldiers in civilian dress entered Memel and, after some fighting with Allied troops, proclaimed the union of Memel and Lithuania. In February 1923, the Conference of Ambassadors recognized the *fait accompli* but insisted on a certain degree of autonomy for the Territory. The task of defining this autonomy was ultimately given to a committee of the League of Nations. On this committee the United States was represented in a private and quasi-arbitral capacity by Mr. Norman H. Davis who, more than anyone else, was responsible for the drafting of a compromise acceptable to all concerned. This compromise is known as the Statute of Memel.<sup>1</sup>

The Statute of Memel, signed by the Allies and Lithuania on May 8, 1924, recognized Lithuania's sovereignty over the Territory but promised for the latter an important degree of autonomy. This autonomy was threefold: governmental, cultural and economic. In internal matters the Territory was to be self-governing. The government consisted of an executive, the Governor, appointed by Lithuania; a cabinet, known as the Directory, composed of five men, the President, appointed by the Governor, and four colleagues chosen by the President; and a legislature, the Diet, of 29 members elected by universal suffrage. The cultural guarantees safeguarded German residents in their language, in the maintenance of their schools, and in their religion — most of the Memel Germans are Protestants whereas Lithuania is essentially Roman Catholic. Economically, all states whose commerce must pass through the Territory should be assured of free passage to and from the port of Memel.

More important than the precise terms of the Memel Statute is the attitude of those to whom it applies. The attitude of both Lithuania and Germany was the same after 1924 as it had been earlier. Lithuania acted as if she possessed complete sovereignty, whereas Germany could not forget that Memel had once been Prussian. Hence it is not surprising that there have been a series of crises. That of March 1935, when Lithuania sentenced four Nazis to death for plotting the return of Memel to Germany, is the most recent. But the crises of 1932 and 1934 are more revealing of the nature of the conflict.

In February 1932 the Governor of Memel dismissed the President of the Directory, a certain Dr. Böttcher. The charge was that Dr. Böttcher, during a recent visit to Berlin, had talked with two Prussian ministers. Although the subject and purpose of the discussion were unknown, Lithuania considered the affair an infringement of her exclusive right to control the foreign policies of Memel. Dr. Böttcher refused to resign. The Governor arrested him, dismissed the Directory, and appointed a new President who subsequently chose colleagues unacceptable to the Diet. The latter had and has always had a German and autonomist majority. The Governor promptly dissolved the Diet. Ger-

<sup>1</sup> For the early history of the Memel situation and an account of the work of the Davis commission see John A. Gade's "The Memel Controversy," *FOREIGN AFFAIRS*, March 1924.



many, attentive to the grievances of her compatriots, referred the case to the League, which in turn delegated it, as a legal question, to the World Court. The Court, while not wholly vindicating the Governor, ruled in 1932 that he had the right to dismiss functionaries disloyal to the Statute, and that he had been justified in dismissing Dr. Böttcher. The Court reminded German Memelanders that a minority has duties as well as rights.

The crisis of 1934 reveals still another aspect. There has doubtlessly been considerable Lithuanization in Memel Territory. German names of streets have been changed; Memel City, a German stronghold, is required to call itself Klaipeda; and Protestant parishes were severed from the Consistory of Königsberg. On the other hand, the rise of the Nazi Party has been accompanied by intensive German propaganda in the Territory. A Lithuanian investigation revealed the extent of this propaganda in the schools. Memel Nazis, aided from Berlin, had instituted new schoolteachers; pictures of German heroes adorned the walls of schoolrooms; and the curriculum was the same as that in Prussia. Most of the teachers could not speak Lithuanian and many confessed to having attended special propaganda courses in Berlin.

A solution of the Memel problem obviously is not easy to find. Many forces are at work. There is, for example, the constitutional question. Neither Germans nor Lithuanians are adapted by historical background and experience to a régime of constitutional liberty. Both have sent agents into the Territory, both desire to end the present régime, both will attempt to utilize a régime of constitutional liberty to extirpate their enemies and blot out constitutional liberty itself. But the real issue lies deeper. Lithuania has gained by the Peace Treaty and she intends to consolidate her gains. Germany has lost, but she is not reconciled to her loss. This was shown as recently as May 21, 1935. Germany, said Chancellor Hitler, is "ready to negotiate non-aggression pacts with all our neighbor states. If we except Lithuania, this is not due to the fact we desire war there, but because we cannot enter into political treaties with a state which disregards the most primitive laws of human society."

Deeper still there is another factor. Lithuania considers the centuries of German rule along the Baltic provinces as an injustice; it is a wrong to be righted. Germany considers those centuries as part of a natural order, an order to be restored as soon as possible. Given such divergent mentalities, it is difficult to forecast a solution which will be both peaceful and lasting.

# SOVIET IMPERIALISM IN AFGHANISTAN

*By Joseph Castagné*

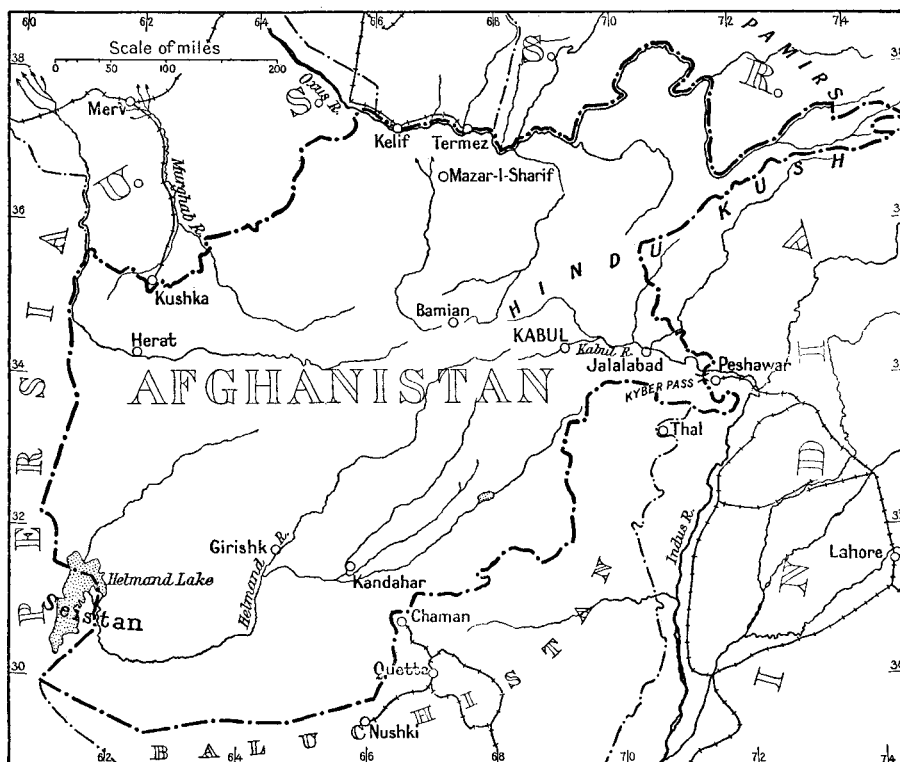
THE history of Afghanistan has been dominated by the geographical fact that it lies on the route of invasion to India. Cyrus and the Persians, Alexander and the Macedonian phalanxes, the barbarian Scythians, free-booting Turanian knights — all these passed through the land of the Afghans to reach the fabulous wealth of the Indian peninsula. They plundered freely, for such was the nature of their expeditions. So great were their ravages that when in the seventh century the Arabs conquered the land in the name of Islam there truly was nothing left to despoil. A period of comparative peace and tranquillity followed. The invasions of the Mongol hordes of Jenghiz Khan at the beginning of the thirteenth century marked the beginning of another unfortunate era. Tamarlane, Babur, who was the founder of the Mongol Empire in India, and Nadir Shah, the Persian brigand, ravaged the land through which they passed leaving behind them death and destruction.

In modern times Afghanistan has been a pawn in the contest for empire between the British and the Russians. The British were determined that Afghanistan should remain a buffer state between India and the northern colossus. At times they endeavored to conquer the Afghan kingdom. At other times they were content to support a puppet emir there. In the fifty years prior to 1914, Britain allowed the various emirs to consolidate their realm, introduce western methods, and even to strengthen their armies. But Afghan foreign policy remained a monopoly of the British Government of India. The country had no ambassadors of its own and its attitude towards its neighbors was determined exclusively by Britain. Until the World War it was British rather than Russian influence which was predominant at Kabul.

The situation was reversed in the years following the war. British influence waned and Russian influence increased. In 1919 the Emir of Afghanistan, Habibullah, was murdered, supposedly because of his pro-British sympathies. His son, Amanullah, succeeded to the throne and at once proclaimed the independence of Afghanistan in matters of foreign as well as domestic policy. This inevitably meant war with British India. The occasion was propitious. Disappointment that India had not received dominion status as a result of its loyalty during the World War had caused considerable unrest there and, in a few provinces, rebellion. Hoping, therefore, to be joined by their Indian brothers, the Afghans boldly opened hostilities. The ensuing war was as disastrous as it was brief. The British were everywhere triumphant.

Great Britain nevertheless realized that the new Afghan ruler was a man of determination and that it was better to have a friendly neighbor than a hostile ward. The armistice of Raval Pindi, signed in July 1919, announced the independence of Afghanistan. Hardly was the armistice signed when Moscow hastened to recognize the independence of the new state. An exchange of ambassadors was also proposed. Soviet imperialism was following the course formerly pursued by the Tsars, flattering the nationalism of adjoining Asiatic states and endeavoring to draw them within the Russian orbit.

One of Soviet Russia's first steps was to foster an Asiatic bloc consisting of Turkey, Persia and Afghanistan. The latter countries were apprehensive of Britain's predominant position in Asia after the war. British forces of occupation were in Constantinople, Palestine, Syria, Mesopotamia, Caucasasia, Trans-Caspia, and Persia. Although Turkey, Persia and Afghanistan had no desire to substitute a Soviet for a British hegemony, the latter seemed more immediately dangerous. Fully conscious of the abyss that separated their political régimes from that of Soviet Russia, they nevertheless signed various treaties with that country, exchanged diplomatic representatives, and multiplied their consular posts.



Soon the Bolsheviks organized on their own territory — at Tashkent, and later at Baku — various congresses for the peoples of the East. At these reunions they launched flaming proclamations to “enslaved” peoples, to whom they presented themselves as liberators. Their appeal was heard. This did not mean that the dictatorship of the proletariat had any chance of success in Central Asia, where there was no industrial life and no proletariat.

In its rôle as protector of “the oppressed nations of the Orient,” Soviet Russia henceforth dreamed of resuming her forward march towards the warm waters of the Indian Ocean. There are several possible routes in the realization of this goal. The classical route of invasion is by Termez, Bamian and Kabul, passing through the Hindu Kush mountains at a height of about

4,000 meters. Enlarged and improved in recent years by the Afghan Government, it is the most frequented route for travellers from Russia to India. A second way lies by Kushka and Herat, leading on from the latter point along another classic route to Kandahar and thence across the Indian frontier to Quetta. To the west, another route, from the Caucasus southward through eastern Persia, passes through the region called Seistan (on the Persian-Afghanistan frontier) and thence reaches the Gulf of Oman near the Baluchistan border. A route further east, through the Pamir Mountains, leads to the heart of India; but those mountains are well-nigh impassable. Still further east, a Russian army might also invade India via the Chinese province of Sin-kiang. Several of these routes are fed on the Russian side by railroads which have a clearly strategic character. In very recent years, an additional means of invading India has become possible, *i.e.* through the air. An airplane service now functions between Moscow and Kabul.

In 1920 Russian officials at Tashkent made new studies as to how to invade India via Afghanistan. But information received from reliable sources showed that the Indo-Afghan frontier was jealously guarded and strongly fortified. Attention was turned to other routes. The following year, in 1921, under the inspiration of General Broussiloff, a new plan was elaborated. This time it was a question of establishing a base in southern China and attacking India across the weakly-fortified India-Burma frontier. But Soviet diplomacy in China failed, and Moscow returned to its original idea of passing through Afghanistan. The Bukhara-Termez railroad line had just been constructed, and an airplane route from Tashkent to Kabul had been established, with a landing field at Termez. Russia strengthened her army in Turkestan; and after issuing considerable revolutionary propaganda seemed prepared to take the offensive.

To facilitate the march of the Red Army, Moscow made use of Soviet diplomacy, at that time very powerful at the court of the Emir of Afghanistan. By the terms of the Russian-Afghan treaty of February 1921 the Soviets recognized the independence of Afghanistan. The treaty also contained a clause stipulating that neither of the two contracting parties would conclude a political or military alliance with any state dangerous to the other. The third article granted the Emir a subsidy of one million gold rubles, which England had formerly paid to Afghanistan but which had been stopped after the war. Thus Afghanistan was drawn into the orbit of Soviet influence in Asia.

The Afghan Government, however, energetically resisted the dissemination of Bolshevik propaganda in its own territory. This propaganda, issued by the agents of the Third International, was directed against Britain rather than Afghanistan, as is borne out by the revelations made by the former Russian agent, Agabekov. According to Agabekov, Kabul became a center of communist propaganda for active radicals in India. The first task set was to weaken British authority among the warlike people of the frontier, to arouse these people, and to set them up in opposition to the domination of Britain and the local governing classes supported by Britain.

The Bolsheviks, at the beginning of the reign of Amanullah, were strongly aided by the Indian revolutionary, Partap, who enjoyed great favor both at the court of the Emir and with the quondam German mission at Kabul.

During the World War, Partap had offered his services to the German mission headed by Major Niedermayer. The latter, with a small group of soldiers, had slipped into Afghanistan for the purpose of arousing Afghan frontier tribes against the English. In 1919, at the time when Moscow and the radical revolutionaries of India decided that the moment for action had arrived, a Government of the People of India was constituted at Kabul. At its head was Partap. In 1924 Agabekov found Partap still in Kabul, and again Russia made use of his services. Moscow also had many other agents in Afghanistan. All were in communication with the chiefs of the tribes of India, notably with Moulek Bachir and Padcha Goulem. The former, according to Agabekov, received £500 sterling from Moscow every three months. This perhaps shows the importance which the Soviet leaders gave to this propaganda. They also distributed money among the police of Kabul.

The invasion of India being temporarily impossible, the Soviet Government none the less continued its propaganda. This activity, it is true, was somewhat diminished during the years 1922 and 1923 because of the unrest among the Russians of Central Asia. Shortly after, however, it was resumed and bore its first fruits with the activities of the Red Shirts in India, which for a while caused anxiety to the British Government.

Russian influence in Afghanistan was weakened rather than strengthened by the events of 1928-1929. During the 1920's King Amanullah had sponsored the growth of western institutions in his kingdom. Had he been content with a slow process of westernization, he probably would have succeeded. But in 1928 he visited Europe and returned home fervently determined to put an abrupt end to many backward features of his country. The example of Mustapha Kemal Pasha in westernizing Turkey stirred him to do the same for Afghanistan. But the reforms which Amanullah proposed were more drastic, the opposition which he encountered was greater, and premonitory warnings should have convinced him that he could not succeed. In December 1928 a north Afghan *budmash*, Bacha Sakao, raised the standard of revolt; and Amanullah, with the family jewels, fled the country. Bacha Sakao proclaimed himself ruler of Afghanistan under the name of Habibullah Khan. But he was without experience, money, or a trained army; and it was obvious that the situation was not a permanent one.

The Soviet press at once assumed the initiative and unanimously defended Amanullah. It accused England of desiring to check the course of national liberation in Afghanistan and of having aroused the border tribes against their former king. The *Pravda* accused Colonel Lawrence of having plotted the whole uprising. The Soviet Government soon adopted a positive rôle and gave its aid to Amanullah in his struggle against the usurper. It was decided that a detachment of 800 men of the Red Army should be sent to Afghanistan, where they were to be equipped by Amanullah's partisans. It would be commanded by the ambassador of Afghanistan in Moscow, and it would fight for the restoration of the former king. Its early successes in the north were interrupted by the news of the definite abdication of Amanullah. The Soviet detachment was recalled and the Afghan ambassador returned to Moscow.

Russian intervention was perhaps inspired as much by a desire to create a sovietized Afghan state as to give Amanullah back his throne. According to



dispatches appearing in a Russian newspaper printed in Paris, a military and political conference under the presidency of Bouline was held at Tashkent between January 14 and 16, 1929. Bouline was the chief representative of the Political Direction of the Army and was expressly sent by Moscow.

The conference drew up an elaborate scheme for political intervention in Afghanistan with the aim of influencing the course of events in a direction favorable to Russia. A communist party would be created by sending to Kabul special agents trained in schools of propaganda at Tashkent and other cities of Asiatic Russia. The communist party would not at first engage in actual combat but would bide its time until the new rival to the throne, Nadir Khan, who had formerly been minister of war and Afghan minister to Paris, had exhausted his army and resources. Then, however, it would take an active rôle and proclaim a Soviet régime. Special measures were adopted not to irritate the population by offending local customs and the Moslem prejudices. The Soviet Republic, once proclaimed, would receive aid from Tashkent against any British-Indian opposition. To this end, Russia must increase her military supplies in Central Asia to assure adequate resources of one month for an army actually at war.

During 1929 the anger of Soviet imperialists towards Britain was given violent expression. *Izvestia*, in an issue dedicated to the tenth anniversary of Afghan independence, warned its readers that above the Indo-Afghan frontier "hovers the spirit of Disraeli, which dreams of extending the frontier of India to the Hindu Kush and then to the Amu-Daria River in the heart of Central Asiatic Russia." The writer continued: "We are at present watching the realization of the highly aggressive plans of British imperialism in Central Asia. The program of Beaconsfield and Curzon is now being realized by Stanley Baldwin, who has just declared: 'The world will soon see with jealousy a new diamond in the crown of the Emperor of India.' No one doubted that Baldwin had in mind Afghanistan, and it is as a reply to the English Prime Minister that Amanullah declared, when asked the goal of his journey: 'I am going to show Europe that Afghanistan can occupy its proper place in the world.'"

For ten months Afghanistan was a prey to the rival armies of Bacha Sakao and Nadir Khan. On October 10, 1929, the forces of Nadir Khan, under the command of his brother, then Afghan minister to Paris, entered Kabul. Five days later Nadir Khan became king and shortly afterwards pronounced a sentence of death on his late rival, Bacha Sakao.

Again there were mutual press recriminations on the part of Russia and Britain. In both countries the newspapers printed doubtful reports which often were hardly better than rumors, and to authentic news they gave a partisan interpretation. The Russian press accused England of having furnished arms and subsidies to General Nadir Khan and of having urged the turbulent tribes along the Indo-Afghan frontier to give him their support. The Indian newspapers, especially those printed in English, pretended that Russia had continued to support Bacha Sakao after the abdication of Amanullah.

The assurances given by the new king, Nadir Khan, that his government would continue to follow the same foreign policy as that of his predecessor, Amanullah, satisfied the two neighboring powers, Britain and Russia. *Izvestia* probably expressed the official Soviet attitude when it said "The government



will be stable and will lead the country back to peace if it has profited by the lessons of civil war, if it takes a decisive stand against the feudal and clerical reaction, if it gives satisfaction to the immediate needs of the peasants, if it guarantees the rights of its national minorities, and if it adopts in its foreign policy a conduct which will systematically and surely lead to the complete independence of Afghanistan." But *Izvestia* saw many obstacles in the realization of stable government in Afghanistan. The treasury was empty, the national economy was disorganized, the peasant population had been ruined by civil war; there was disunion among the tribes, a growing feudal and clerical reaction and the threat of British aggression from the Indo-Afghan frontier. Should, however, the government of Nadir Khan try to meet these obstacles, the true friends of Afghanistan would rally to his cause. These true friends, of course, were the U. S. S. R., Turkey and Persia. Their collaboration would be a most important guarantee for peace in Central Asia.

Soviet Russia's relation to the new Afghan government was well defined. By making Nadir Khan realize the weaknesses of his position and the dangers which threatened him from India, it hoped to become the protector of Afghan independence. But Nadir Khan, who had now adopted the title of Nadir Shah, was not a man to be intimidated. The country was, it is true, in a condition bordering upon anarchy, and there was grave uneasiness among the tribes, some of which were in open conflict with the central government at Kabul. It was necessary to begin immediately the work of reconstruction, of rehabilitating the devastated regions, and of restoring tranquillity and authority among the frontier tribes. The task was difficult but not impossible. The military and moral prestige of Nadir Shah gave promise of lasting results. But destiny willed otherwise. In November 1933 Nadir Shah was assassinated after four years of wise and firm government. He left his country and his throne to a son hardly twenty years old.

With the advent of the new king, Mohammed Zahir Shah, the partisans of Soviet Russia, who had been held in check by the late king, believed the moment propitious for a rapprochement with Moscow. But the Anglophile party, which has always been strong at Kabul, outwitted them. Mohammed Zahir Shah was wise enough to adopt the only sensible policy for a country where a period of renaissance was well under way, namely to strengthen his position as much as possible with both Russia and Britain but without subordinating himself to either.

The question of Russian émigrés from Turkestan, always a cause of concern to the Soviet Government, seems to have been resolved to general satisfaction. Moscow has often proposed that these émigrés should be sent back to their homes, but Kabul has always refused because of public sympathy with the émigrés, who are considered to be persecuted on account of their fidelity to Islam. Under pressure from Moscow, the Afghan government has now agreed to transfer to more southern provinces those of the émigrés who had settled close to the Russian frontier. Britain, on its side, has obtained satisfaction in the matter of closing the Afghan frontier to Indian rebels, and in the promise made by the Kabul government to prevent Afghan tribes along the Indian border from participating in acts hostile to British authority.

# SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

*By William L. Langer*

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THE PRICE OF PEACE. BY FRANK H. SIMONDS AND BROOKS EMENY. New York: Harper, 1935, 380 p. \$3.00.

A study of international developments since 1919, with stress on the basic incompatibility of the demands for security and economic opportunity, and the consequent danger of another war. A fuller textbook edition, with additional maps and charts, has been published by the American Book Co. (New York: 1935, 656 p. \$3.75).

FAREWELL TO REVOLUTION. BY EVERETT D. MARTIN. New York: Norton, 1935, 380 p. \$3.00.

An effective book, analyzing the revolutionary process in the past, with especial stress on its mass psychological aspects. The author doubts if it has ever, or will ever, solve any problem.

POLITICAL ETHICS. BY DANIEL S. ROBINSON. New York: Crowell, 1935, 288 p. \$2.00.

A reëxamination of the ethical bases of politics, with a discussion of the relation of the ideal to the actual in the Soviet state, the dictatorial state, democracies, etc.

THE STATE IN THEORY AND PRACTICE. BY HAROLD J. LASKI. New York: Viking, 1935, 299 p. \$3.00.

The latest work of a well-known political theorist, analyzing the nature of the modern state with reference especially to the development of dictatorial forms and the evidences of class domination. The analysis is more satisfactory than the conclusions. The only defense against fascism, in the author's view, lies in a root-and-branch change in the present economic order, both nationally and internationally, all of which leads him to advocate a form of state lying somewhere in the grey area between socialism and communism. The book is written in the author's usual felicitous style. One of the important works of the quarter.

DELIVER US FROM DICTATORS! BY ROBERT C. BROOKS. Philadelphia: University of Pennsylvania Press, 1935, 257 p. \$2.50.

A brisk indictment of dictatorships of all forms, aiming to prove that they are neither necessary nor desirable, in crisis or out, and that democracies do their jobs much better. Concluding chapters have special reference to the American situation.

DICTATORSHIP IN THEORY AND PRACTICE. BY GEORGE P. GOOCH. London: Watts, 1935, 50 p. 1/.

The Conway Memorial Lecture, in which the lecturer, an eminent English liberal, comes to much the same conclusions as the preceding author.

CHALLENGE TO DEMOCRACY. BY C. DELISLE BURNS. New York: Norton, 1935, 240 p. \$2.50.

Like the two preceding titles, this book attacks the evils of dictatorship in all its forms and urges social equality as a protection for democracy.

DEMOCRACY FACES THE FUTURE. BY SAMUEL EVERETT. New York: Columbia University Press, 1935, 279 p. \$2.50.

Another plea for the remodelling of the democratic system.

SOCIALISM, FASCISM, COMMUNISM. EDITED BY JOSEPH SHAPLEN AND DAVID SHUB. New York: American League for Democratic Socialism, 1934, 239 p. \$1.50.

Primarily a compilation of materials.

THE POST-WAR WORLD. BY J. HAMPDEN JACKSON. London: Gollancz, 1935, 520 p. 6/.

A well-balanced review of political and economic developments in the world at large since 1918.

THE GEOGRAPHICAL PATTERN OF MANKIND. BY JOHN E. POMFRET. New York: Appleton-Century, 1935, 443 p. \$4.00.

An introduction to the study of human geography.

LA POPULATION DANS LE MONDE. BY GASTON BOUTHOU. Paris: Payot, 1935, 256 p. Fr. 18.

An admirable, concise discussion of the problem in its historical development and at the present time.

DER NACHRICHTENVERKEHR IM DIENSTE VON PRESSE UND WIRTSCHAFT. BY FRIEDRICH WINKIN. Leipzig: Buske, 1934, 106 p. M. 4.80.

A review of the organization of modern news services, their relation to the press, and their cultural importance.

PROBLÉM PRÁVNÍHO POSTAVENÍ HLAVY STÁTU V DEMOKRACII. BY JAROSLAV KREJÁ. Prague: Moderní Stát, 1935, 145 p. Kc. 40.

A scholarly study of the constitutional position and powers of the chief of state in European democracies.

INTERNATIONAL ORGANIZATION. BY R. YORKE HEDGES. New York: Pitman, 1935, 222 p. \$3.00.

A general handbook of international government under the League system.

LA NEUTRALITÉ ET LA PAIX. BY NICOLAS POLITIS. Paris: Hachette, 1935, Fr. 12.

A Greek jurist and statesman argues that neutrality has become an anachronism and that the only alternative is a system of collective security based upon international coöperation.

PEACE AND THE PLAIN MAN. BY SIR NORMAN ANGELL. New York: Harper, 1935, 345 p. \$2.50.

One of the leading champions of peace restates the position which he took long ago, arguing for the need of superseding national sovereignty and of organizing a League with teeth.

LA GUERRE MODERNE. BY GENERAL SIKORSKI. Paris: Berger-Levrault, 1935, 248 p. Fr. 15.

A brilliant, concise analysis of modern war and its problems, by an outstanding Polish soldier and statesman.

WAR IS A RACKET. BY SMEDLEY D. BUTLER. New York: Round Table, 1935, 51 p. \$1.00.

A colorful and erratic ex-marine views his lifelong profession.

SPYING STILL GOES ON. COMPILED BY HEINZ ECKE. New York: Loring and Mussey, 1935, 220 p. \$2.50.

The present system described by four professionals, British, German, French and Russian.

INTERNATIONALISM AND DISARMAMENT. BY MARY E. WOOLLEY. New York: Macmillan, 1935, 44 p. \$1.00.

A lecture delivered by one of the American delegates to the Disarmament Conference, dealing not only with the work done at Geneva but with the larger problems of peace.  
**LA CONFÉRENCE DU DÉSARMEMENT.** BY PIERRE COULON. Paris: Librairie Générale de Droit, 1935, 240 p. Fr. 30.

A systematic legal study of the conference and its achievements.

**CLASHING TIDES OF COLOR.** BY LOTHROP STODDARD. New York: Scribner, 1935, 414 p. \$3.00.

The author is already well-known for his writings on racial problems and movements. In this latest work he undertakes a sweeping survey of recent developments in Europe, which, he believes, reveal the disintegration of the western world. The rest of the volume is devoted to Asia and Africa, where the author sees a similar process as well under way, so that the whole world seems headed for chaos.

**ANTI-SEMITISM.** BY INGRAM HUGHES. Los Angeles: American Nationalist Publishers, 1935, 98 p. \$1.50.

A general brief survey of the status of anti-Semitism throughout the world.

**THE JEW AND THE WORLD FERMENT.** BY BASIL J. MATHEWS. New York: Friendship Press, 1935, 186 p. \$1.50.

A sympathetic discussion of the Jewish problem and the causes of anti-Semitism.

**WE JEWS.** BY GEORGE E. SOKOLSKY. New York: Doubleday, 1935, 328 p. \$2.50.

Another examination, with a plea for mutual understanding.

**ALMANACH DE GOTHA.** Gotha: Justus Perthes, 1935, 1374 p.

The most recent edition of a standard genealogical, diplomatic and statistical work.

### *General: Economic*

**CONTROLLING DEPRESSIONS.** BY PAUL H. DOUGLAS. New York: Norton, 1935, 286 p. \$3.00.

An American economist reexamines the causes of depression and analyzes various suggested remedies.

**GESCHICHTE DER KRISE.** BY R. LEWINSOHN. Leipzig: Tal, 1934, 228 p.

One of the best systematic accounts of the development of the world economic crisis.

**LA FINANCE MALADE.** BY ANDRÉ METZIANU. Paris: Revue du Centre, 1935, 118 p. Fr. 12.

Primarily a plea for a stabilized currency.

**LA PAIX ÉCONOMIQUE.** BY HENRI HAUSER. Paris: Colin, 1935, 185 p. Fr. 10.50.

An excellent survey of the modern economic world, by an eminent French historian and economist.

**ECONOMICS IN PRACTICE.** BY A. C. PIGOU. London: Macmillan, 1935, 134 p. 4/6.

A series of lectures by an English authority, concerned entirely with current issues.

**THE NATURE OF THE CAPITALIST CRISIS.** BY E. ST. LOE STRACHEY. New York: Covici-Friede, 1935, 406 p. \$3.00.

The author of "The Coming Struggle for Power" here attempts a critique of capitalist theory and concludes with a reaffirmation of Marx's theories of value and of crises. In places the author seems beyond his depth.

**STUDIES IN CAPITAL AND INVESTMENT.** Ed. by G. D. H. COLE. London: Gollancz, 1935, 320 p. 12 6.

A collection of interesting essays by English economists. The essays, unfortunately, are not part of a general plan and the book lacks coherence.

**CAPITALISM AND ITS CULTURE.** BY JEROME DAVIS. New York: Farrar and Rinehart, 1935, 573 p. \$3.50.

A restatement of the case for capitalism, with some consideration of the arguments advanced against it.

**CAPITALISM CARRIES ON.** BY WALTER B. PITKIN. New York: McGraw-Hill, 1935, 293 p. \$1.75.

The author identifies the capitalist system with the middle class and expatiates on the danger lest this class be crushed between big business and the labor element.

**THE FUTURE OF MONETARY POLICY.** New York: Oxford University Press, 1935, 229 p. \$4.00.

This is the report of a group of members of the Royal Institute of International Affairs who have been studying monetary problems during the last two years. It comprises much valuable discussion of the depression and of suggested remedies.

**MONETARY POLICY AND ECONOMIC STABILISATION.** BY ARTHUR D. GAYER. New York: Macmillan, 1935, 288 p. \$3.00.

A reconsideration of the gold standard and a criticism of what the author holds to be outmoded ideas.

**THE EXCHANGE EQUALISATION ACCOUNT.** BY N. F. HALL. New York: Macmillan, 1935, 115 p. \$3.00.

An English authority discusses the principle of the Equalization Account and developments since its establishment three years ago.

**MONEY AND CREDIT.** BY RAY V. LEFFLER. New York: Harper, 1935, 513 p. \$4.50.

A discussion of money problems for the general reader.

**THE INTERNATIONAL MONEY MARKETS.** BY JOHN T. MADDEN AND MARCUS NADLER. New York: Prentice-Hall, 1935, 561 p. \$5.00.

Primarily a descriptive study, including also an analysis of the currency and banking systems of the financial powers.

**THE THEORY OF MONEY AND CREDIT.** BY LUDWIG VON MISES. New York: Harcourt, 1935, 445 p. \$4.50.

The English translation of a basic work by one of the economists of the Vienna school.

**MONETARY OPINIONS AND POLICY.** BY MARY T. RANKIN. London: King, 1935, 170 p. 6/.

Lectures in which an economist of the University of Edinburgh takes to task advocates of new-fangled ideas.

**THE RÔLE OF MONEY.** BY FREDERICK SODDY. New York: Harcourt, 1935, 224 p. \$2.00.

The writer objects to the bankers' control of credit and pleads for state control and the establishment of a steady price level.

**DÉFLATION ET DÉVALUATION.** Paris: Maison Co-opérative du Livre, 1935, 476 p. Fr. 45.

An important book, being the report of the debates and papers presented to a French conference on monetary problems, both national and international.

**CREDIT AND INTERNATIONAL TRADE.** BY BARNARD ELLINGER. New York: Macmillan, 1935, 206 p. \$3.00.

An account of how the machinery of credit and international trade actually works.

**IL BOICOTTAGIO.** BY ROBERTO MICHELS. Turin: Einaudi, 1934, 136 p. L. 12.

The economic and political aspects of the boycott, with special reference to Indian boycotts of British goods and the German boycott of the Jews. The author is a well-known Italian sociologist.

**WORLD DISLOCATION AND WORLD RECOVERY.** BY W. H. C. KNAPP. London: King, 1935, 213 p. 10/6.

The author argues that agriculture holds a special position in the economic organization of society and that the depression is in large measure due to neglect of its needs.

DER KAMPF UM DIE WELTMACHT ÖL. BY A. ZISCHKA. Leipzig: Goldmann, 1934, 238 p. M. 3.80.

Like so many treatments of the world oil problem, this is sensational and highly dramatized.

PRINCIPLES OF ECONOMIC PLANNING. BY G. D. H. COLE. Toronto: Macmillan, 1935, 459 p. \$1.75.

An English socialist insists that the main point about planning is that it must provide for the manufacture and distribution of money by the state.

ON ECONOMIC PLANNING. EDITED BY MARY L. FLEDDÉRUS AND MARY VAN KLEECK. New York: Covici-Friede, 1935, 275 p. \$3.00.

A collection of papers read at a study conference of the International Industrial Relations Institute.

### *International Relations of the United States*

INTERNATIONAL SECURITY. BY PHILIP C. JESSUP. New York: Council on Foreign Relations, 1935, 156 p. \$1.50.

An uncompromisingly realistic survey of the extent to which the United States is likely to cooperate with other nations in efforts to maintain world peace. The author, Professor of International Law at Columbia University, has had the assistance of a group of experts representing a variety of American interests.

A HISTORY OF AMERICAN FOREIGN RELATIONS. BY LOUIS M. SEARS. New York: Crowell, 1935, 2nd ed., 720 p. \$3.50.

A revised edition of a general text, now brought down to the present day.

DER AUFSTIEG DER VEREINIGTEN STAATEN ZUR WELTMACHT. BY FRIEDRICH LUCKWALDT. Berlin: De Gruyter, 1935, 176 p. M. 1.62.

The American student will not learn much from this survey, but it indicates a growing European interest in the history of American foreign policy.

THE NEED FOR CONSTITUTIONAL REFORM. BY WILLIAM Y. ELLIOTT. New York: McGraw-Hill, 1935, 296 p. \$2.50.

Cutting to the roots of the present crisis, the author argues that the needs of our present complicated social and political structure cannot be successfully met by a constitution devised a century and a half ago to fit an entirely different set of problems. Much of the book is taken up with the question of the relation of government to business. Politically, the author sees a need for a great strengthening of the powers of the executive, a recasting of the state organization, and a revamping of our civil service.

FASCISM AND CITIZENSHIP. BY GEORGE NORLIN. Chapel Hill: University of North Carolina Press, 1935, 108 p. \$1.00.

Lectures by the President of the University of Colorado who, after seeing naziism in operation in Germany, pleads for a return to the basic principles of Americanism.

PERSONAL HISTORY. BY VINCENT SHEEAN. New York: Doubleday, 1935, 403 p. \$3.00.

A narrative of adventure and observation in some of the world crises of the past fifteen years, by a young American journalist.

GOVERNMENT IN A PLANNED ECONOMY. BY ARTHUR N. HOLCOMBE. New York: Norton, 1935, 173 p. \$3.00.

A stimulating discussion of the urgent problem of training for, and the organizing of, an adequate administrative system.

THE BLUE EAGLE FROM EGG TO EARTH. BY HUGH S. JOHNSON. New York: Doubleday, 1935, 459 p. \$3.00.

In his usual forceful manner the former head of the NRA tells the story of the organization, its methods and achievements.



LABOR, INDUSTRY AND GOVERNMENT. BY MATTHEW WOLL. New York: Appleton-Century, 1935, 341 p. \$2.00.

The vice-president of the A. F. of L. discusses the history and principles of the American labor movement, with some reference to international movements of the same sort. Much of the book is taken up with a consideration of the relations of labor to the New Deal.

LA RÉORGANISATION BANCAIRE AUX ÉTATS-UNIS ET LA CRISE DU DOLLAR. BY LOUIS-EDMOND SUSSFELD. Paris: Rousseau, 1935, 310 p. Fr. 35.

A technical, scholarly study of the financial side of the American crisis.

DAS WIEDERAUFBAUWERK ROOSEVELTS UND SEINE RECHTLICHEN GRUNDLAGEN. BY E. BASCH. Zurich: Fussli, 1935, 250 p. M. 6.40.

A treatment of the juridical and constitutional aspects of New Deal policies.

### *The World War*

THE CAUSES OF THE WORLD WAR. BY CAMILLE BLOCH. London: Allen and Unwin, 1935, 224 p. 7/6.

The English translation of the most recent presentation of the French arguments regarding the origins of the war. A much-discussed book.

VIENNA E BELGRADO. BY R. SEGRE. Milan: Corbaccio, 1935, 500 p. L. 20.

An important detailed study of the history of Austrian-Serbian relations in the period from 1876 to 1914.

DIE MILITÄRISCHEN BEZIEHUNGEN UND VEREINBARUNGEN ZWISCHEN DEM DEUTSCHEN UND DEM ÖSTERREICHISCHEN GENERALSTAB VOR UND BEI BEGINN DES WELTKRIEGES. BY GERHARD SEYFERT. Leipzig: Moltzen, 1934, 138 p.

A useful collation of the material on the military agreements between Berlin and Vienna, long the subject of debate between war historians.

ROAD TO WAR. BY WALTER MILLIS. Boston: Houghton, 1935, 475 p. \$3.00.

An interesting study of the progress of the United States towards entrance into the World War, by the author of "The Martial Spirit."

ANTONIO DI SAN GIULIANO E LA POLITICA ESTERA ITALIANA DAL 1900 AL 1914. BY F. CATALUCCIO. Florence: Le Monnier, 1935, 173 p. L. 16.

A contribution to the history of Italian pre-war policy, with special reference to Italy's relation to the Triple Alliance after 1900.

LA VIE DU PRINCE SIXTE DE BOURBON. BY PHILIPPE AMIGUET. Paris: Éditions de France, 1935, Fr. 15.

A useful biography of the man who acted as intermediary in the abortive Austrian-French peace negotiations.

LA STRATÉGIE ALLEMANDE EN 1918. BY GENERAL LOIZEAU. Paris: Berger-Levrault, 1935, 136 p. Fr. 15.

An authoritative study, by a prominent French strategist.

ESPIONNAGE ET CONTRE-ESPIONNAGE Á BRUXELLES PENDANT LA GUERRE. BY HENRI BINDER. Paris: Payot, 1935, 164 p. Fr. 12.

An account of the activities of the various intelligence services at the important Brussels center.

LA GUERRE SECRÉTE EN ALSACE. BY COMMANDANT LADOUX. Paris: Librairie des Champs Élysées, 1935, Fr. 7.50.

An interesting contribution by the former chief of the French intelligence service.

MILITARY OPERATIONS. FRANCE AND BELGIUM, 1918. BY BRIGADIER-

GENERAL J. E. EDMONDS AND MAJOR A. F. BECKE. New York: Macmillan, 1935, 3 v. \$4.25, \$2.25, \$2.00.

The latest part of the British official history, covering the German offensive of March 1918.

RUSSLANDS WEG NACH TANNENBERG. BY JOACHIM VON KURENBERG. Berlin: Gutenberg, 1934, 271 p.

A monograph on the early campaigns of the Russians and on Hindenburg's great victory.

TANNENBERG, AOÛT 1914. BY RUDOLF VAN WEHRT. Paris: Payot, 1935, 256 p. Fr. 18.

The French translation of a technical treatment of the Tannenberg campaign.

DIE LETZTE FRONT. BY J. BISCHOFF. Berlin: Buchtiefdruck, 1935, 270 p. M. 4.90.

The little-known story of the famous German Iron Division and its activities in the Baltic area in 1919, by its former commander.

LE TRE BATTAGLIE DEL PIAVE. BY MARSHAL CAVIGLIA. Milan: Mondadori, 1934, 320 p. L. 15.

A vigorous account of the three battles of the Piave, with much comment on political affairs and the armistice negotiations, by one of Italy's foremost soldiers.

KRIEG IN DER WÜSTE. BY H. EISGRUBER. Berlin: Schlegel, 1934, 175 p. M. 4.

One of the few accounts of the Palestine campaign from the Turkish-German side. It covers the whole period 1914-1918.

POLICIES AND OPINIONS AT PARIS, 1919. BY GEORGE B. NOBLE. New York: Macmillan, 1935, 475 p. \$3.50.

This is one of the interesting books of the quarter. It consists of a general review of the armistice and peacemaking of 1918-1919, with special reference to the conflict between the new ideology of Wilson and the hoary policies of men like Clemenceau, as well as the general bearing of public opinion on the work of the negotiators. The author is under no illusion about what might have been done, pointing out that even if all the statesmen had been better intentioned they could hardly, on the spur of the moment, have calmed the public passions which they themselves had whipped up by years of propaganda.

THE TREATY OF VERSAILLES AND AFTER. BY LORD RIDDELL AND OTHERS. New York: Oxford University Press, 1935, 192 p. \$1.50.

This is another book that deserves attention. In the first section, Lord Riddell and Professor C. K. Webster discuss the setting and problems of the Peace Conference. In the second, Professor A. J. Toynbee analyzes its work. In the third, spokesmen of the leading countries review the treaty as it presents itself to their compatriots today.

VERSAILLES NACH FÜNFZEHN JAHREN. BY KARL SCHWENDEMANN. Berlin: Zentralverlag, 1935, 230 p. M. 4.

This volume deserves to be classed with the two preceding titles. The author, a well-known German writer on foreign affairs, reviews the main provisions of the peace, analyzes them critically and then studies the present status of revision. The book contains some forty maps and charts.

THE TREATY OF TRIANON. EDITED BY NINA ALMOND AND RALPH H. LUTZ. Stanford: Stanford University Press, 1935, 742 p. \$6.00.

One of the excellent documentary studies of the Hoover War Library. In addition to a careful review of the history and provisions of the treaty, there is a survey of the documents of the Supreme War Council.

### *Western Europe*

LA CRISE DE L'EUROPE. BY ANDRÉ SIEGFRIED. Paris: Calmann-Lévy, 1935, 132 p. Fr. 8.

This latest book of a well-known French economist deals chiefly with the threat to European supremacy implied in the recent economic development of extra-European countries such as the United States, the British Dominions and Japan.

L'ORA DECISIVE DELL'EUROPA. BY F. GUALTIEROTTI. Milan: Hoepli, 1935, 240 p. L. 16.

An examination of various schemes for a Pan-Europe, a Mittel-Europa, etc.

FRANKREICHS WIEDERAUFSTIEG ZUR WELTMACHT UND ZUM EMPIRE. BY G. ROLOFF. Berlin: De Gruyter, 1935, 130 p. M. 1.62.

Though this is intended for the layman, it can be recommended as a thoroughly reliable survey of French foreign policy which is of interest even for the student.

FRANCE IN DANGER! BY ANDRÉ TARDIEU. London: Archer, 1935, 288 p. 15/.

A fundamental book, in which the former Prime Minister discusses not only his proposals for constitutional reform but also the needs of French policy resulting from recent developments in Germany.

FRANCE IN FERMENT. BY ALEXANDER WERTH. New York: Harper, 1935, 309 p. \$3.00.

Easily one of the best discussions of the French crisis in domestic as well as in foreign affairs. The author, Paris correspondent of the *Manchester Guardian*, gives a critical account of affairs since the collapse of the Cartel des Gauches.

RAYMOND POINCARÉ. BY GABRIEL HANOTAUX. Paris: Plon, 1935, Fr. 7.50.

A tribute to the late statesman and a study of his career, by one of France's foremost historians.

DOUMERGUE ET LES POLITICIENS. BY JACQUES FISCHER. Paris: Le Journal, 1935, 256 p. Fr. 12.

Supposedly the former President's own explanation of why he could not save France.

FRANCIA. BY A. BASSI. Turin: Schioppo, 1934, 264 p. L. 30.

A technical study of French military thought and organization before and after 1914.

LA BELGIQUE ET L'ÉQUILIBRE EUROPÉEN. BY J. WULLUS-RUDIGER. Paris: Berger-Levrault, 1935, 356 p. Fr. 18.

This is an important book, given over to a detailed analysis of Belgium's position in the decade preceding the outbreak of the Great War. Much of its importance lies in the fact that the author has had access to materials in the Belgian Foreign Office, and that he has used the military reports on which the German authorities based much of their planning and acting. The originals of these reports are in the Hoover War Library and the present publication is made in accord with Professor Lutz.

HISTORIA DE ESPAÑA. BY MODESTO GARCIA. Madrid: Espasa-Calpe, 1934, 252 p. Pes. 2.50.

A general survey, with emphasis on the more recent period.

THE LAST KING. BY WARRE B. WELLS. London: Muller, 1934, 307 p. 7/6.

A strong but rather uncritical indictment of Alfonso XIII and his policies.

CUATRO AÑOS DE EXPERIENCIA REPUBLICANA. BY JUAN CASTRILLO. Madrid: Bergua, 1934, 315 p. Pes. 5.

A convenient guide to recent Spanish developments.

ANARQUÍA O JERARQUÍA. BY SALVADOR DE MADARIAGA. Madrid: Aguilar, 1934, Pes. 6.

A keen critique of the ideas of liberalism and democracy, together with suggestions for a Spanish constitution, by a prominent Spanish diplomat.

LA CONSTITUCIÓN ESPAÑOLA DE 9 DE DICIEMBRE DE 1931. BY ANTONIO ROYO VILLANOVA. Valladolid: Castellana, 1934, 357 p. Pes. 5.

A critical edition of the constitution, with comment.

ITALIA E JUGOSLAVIA. BY G. PARESCÉ. Florence: Bemporad, 1935, 327 p. L. 20.

A systematic review of the Italian-Yugoslav relationship from 1915 to 1929.

L'ÉTAT CORPORATIF EN ITALIE. BY GEORGES BOURGIN. Paris: Montaigne, 1935, 256 p. Fr. 15.

An excellent study of the origins and organization of Italian syndicates and their evolution into the corporative state, by an authoritative French scholar.

DIE FASCHISTISCHE WIRTSCHAFT. EDITED BY G. DOBBERT. Berlin: Hobbing, 1934, 231 p. M. 8.40.

A survey of all aspects of Italian economic life, by a group of German and Italian experts.

LA LIRA ET LA POLITIQUE ÉCONOMIQUE DU GOUVERNEMENT FASCISTE. BY CHARLES BILLET. Paris: Rousseau, 1935, 232 p. Fr. 36.

A technical monograph on fascist monetary policy.

GLI INGLESII A MALTA. BY A. PRESTINENZA. Catania: Istituto Editoriale, 1935, 860 p. L. 5.

An encyclopedic work on all aspects of British rule in Malta, as seen from the Italian angle.

MODERN AUSTRIA. BY CICELY HAMILTON. London: Dent, 1935, 250 p. 7/6.

The author's books on Russia, Germany and Italy are well-known. She offers here another of her understanding surveys.

ÖSTERREICH'S EUROPÄISCHE SENDUNG. BY O. M. FIDELIS. Vienna: Reinhold, 1935, 108 p. M. 1.10.

Revives the old story of the cultural mission of the Hapsburgs.

KANZLER DOLLFUSS. BY H. MAURER. Graz: Styria, 1934, 114 p. M. 2.50.

A handy little biographical sketch, well illustrated.

L'AUSTRIA NON EI TOCCA. BY ANTONIO ALBERTI-POIA. Brescia: Vannini, 1934, 216 p. L. 10.

A survey of Austria since the war, with a description of the reasons why Austria must be kept apart from Germany.

PERCHÉ DIFENDIAMO L'INDIPENDENZA DELL'AUSTRIA. BY C. A. AVENATI. Turin: Chiantore, 1934, 120 p. L. 9.

A review of the Austrian problem since the time of Metternich, with due consideration of present-day conditions.

POLITISCHE GESCHICHTE VON BISMARCK BIS ZUR GEGENWART. BY WILHELM MOMMSEN. Frankfurt: Diesterweg, 1935, 261 p. M. 5.80.

The author, an able German historian, goes back to about 1850 and studies the vicissitudes of liberalism till its overthrow by the forces of the new Germany.

DAS DRITTE REICH. BY G. RÜHLE. Berlin: Hummel, 1935, 455 p. M. 18.

The first volume of an indispensable chronicle and documentary collection being published under the auspices of the Reichsarchiv. This volume covers the year 1933.

THE NAZI DICTATORSHIP. BY FREDERICK L. SCHUMANN. New York: Knopf, 1935, 494 p. \$3.00.

Written by a professor at the University of Chicago, this is one of the most valuable studies of German developments yet to appear. The book, well-documented on every page, first treats in detail of the situation which made possible Hitler's rise to power, and examines the history of the régime to date. The second part of the volume is devoted to a critical examination of the machinery of Nazi rule, and here the author lays particular stress on the use of scapegoats, on the dramatization of external dangers, real and imaginary, and on the methods of education. The conclusions are anything but favorable to this and other fascist systems.

THE NAZI DICTATORSHIP. BY ROY PASCAL. London: Routledge, 1934, 285 p. 10/6.

A communist attack on the Nazis, interesting chiefly for the treatment of their economic and social policies.

FROM BISMARCK TO HITLER. BY LOUIS L. SNYDER. Williamsport: Bayard, 1935, 178 p. \$2.50.

A study of the evolution of German nationalist thought from Bismarck through Treitschke to Bernhardt and Hitler, with emphasis on the importance of the press, of education, of military propaganda, etc.

GOD AMONG THE GERMANS. BY PAUL F. DOUGLASS. Philadelphia: University of Pennsylvania Press, 1935, 338 p. \$3.00.

An analysis of the Nazi mentality and of Nazi methods, with special reference to the conflict of the Protestant Church with the new paganism.

HINDENBURG AND THE SAGA OF THE GERMAN REPUBLIC. BY EMIL LUDWIG. Philadelphia: Winston, 1935, 550 p. \$3.50.

Ludwig here reviews the story of Germany since the war and manages to debunk the character and achievements of the late President.

POLICE POLITIQUE HITLÉRIENNE. BY XAVIER DE HAUTECLOCQUE. Paris: Nouvelle Revue Critique, 1935, Fr. 12.

Purports to reveal the inner structure of the Hitler régime and its methods of action.

VOM RINGEN HITLERS UM DAS REICH. BY K. R. GANZER. Berlin: Zeitgeschichte, 1935, 158 p. M. 1.50.

A fairly important narrative, written originally to serve as a supplement to Hitler's book "Mein Kampf," which it brings down to date.

WIR BAUEN DAS DRITTE REICH. BY W. FRICK. Oldenburg: Stalling, 1934, 112 p. M. 1.60.

Speeches and essays of the Minister of the Interior.

GERMANY IN MY TIME. BY M. SEATON WAGNER. London: Rich, 1935, 254 p. 6/.

The author, an Englishwoman married to a German, gives a vivid and discerning account of German life during the war and of the post-war crisis of the middle classes.

A NATION TERRORIZED. BY GERHART SEGER. Chicago: Reilly and Lee, 1935, 204 p. \$1.50.

Six months' experience in a German concentration camp, by a former Social Democratic member of the Reichstag.

FATHERLAND. BY KARL BILLINGER. New York: Farrar and Rinehart, 1935, 282 p. \$2.50.

The trials and tribulations of a young communist who ended up in a concentration camp.

FÜNFZEHN JAHRE PUBLIZISTISCHER KAMPF UM DIE SAAR. BY H. BALDAUF. Saarbrücken: Saarbrücker Druckerei, 1934, 210 p. M. 4.50.

A doctoral dissertation which deals with an important aspect of the Saar problem — the history of German propaganda.

DEUTSCHE AGRARPOLITIK AUF GESCHICHTLICHER GRUNDLAGE. BY MAX SERING. Leipzig: Buske, 1934, 194 p. M. 6.

The most concise treatment available of the history of German agrarian policy, by a leading German authority.

### *Eastern Europe*

ČESKOSLOVENSKÁ VLASTIVĚDA. Prague: Sfinx, 1933, 811 p. Kč. 330.

The fourth and concluding volume of this great history gives an admirable account, written by specialists, of the history of the Czech lands before 1918.

DIE ENTSTEHUNG DER TSCHECHOSLOWAKISCHEN REPUBLIK. BY E. STRAUSS. Prague: Orbis, 1934, 354 p. M. 5.

A history of Czech policy before, during and just after the war.

JACI JSME. BY FERDINAND PEROUTKA. Prague: Borový, 1934, 211 p. Kč. 25.

A critical and by no means always complimentary analysis of the Czech national character, by an able Czech journalist.

NÁRODNOSTNÍ VÝVOJ ZEMÍ ČESKOSLOVENSKÝCH. BY KAMIL KROFTA. Prague: Orbis, 1934, 104 p. Kč. 16.50.

Lectures by an eminent Czech historian on the foundations of Czech nationality and nationalism.

BUDOVÁNÍ STÁTU. BY FERDINAND PEROUTKA. Prague: Borový, 1934, 1372 p. Kč. 11.

The second volume, covering the year 1919, of a monumental critical history of the Czechoslovak Republic.

POLEN. BY A. GOTTLIEB. Vienna: Perles, 1935, 402 p. M. 7.20.

A descriptive and historical work, with stress upon the cultural policies and developments of the new Poland.

POLONIA D'OGGI. BY D. LISCHI. Pisa: Nistri, 1934, 203 p. L. 8.

Similar to the preceding, but more strictly political in its interest.

LE MARÉCHAL PILSUDSKI. BY PAUL BARTEL. Paris: Plon, 1935, Fr. 13.50.

A general biography of the Polish dictator.

WIRTSCHAFT UND KULTUR DER BALTISCHEN STAATEN. BY J. MOREINS. Riga: Livonia, 1934, 120 p. M. 4.

An historical and political survey of Latvia, Estonia and Lithuania, with some discussion of projects for federalism.

DIE LITAUISCHE WILLKÜRHERRSCHAFT IM MEMELGEBIET. BY R. PREGEL. Berlin: Grenze und Ausland, 1934, 64 p. M. 30.

A concise survey of the Memel problem, together with an indictment of Lithuanian policy.

DER LITAUISCH-POLNISCHE STREIT UM DAS WILNAGEBIET. BY MARTYNAS ANYSAS. Würzburg: Triltsch, 1934, 74 p.

A doctoral dissertation which goes over the familiar ground of the quarrel and carries the story to 1931.

HISTORY OF THE RUSSIAN REVOLUTION. BY WILLIAM H. CHAMBERLIN. New York: Macmillan, 1935, 2 v. \$10.00.

A sound, critical account of the revolution to about 1921, with a collection of key documents. A work of importance.

THE MURDER OF THE ROMANOV. BY PAUL BULYGIN. New York: Macmillan, 1935, 286 p. \$3.00.

The book adds little to the report of Sokolov, but contains interesting contributions by Kerensky and Pares dealing with the question of the withdrawal of the British offer of asylum to the imperial family.

ARMED INTERVENTION IN RUSSIA, 1918-1922. BY W. P. AND SELDA K. COATES. London: Gollancz, 1935, 400 p. 10/6.

A markedly biased account of the intervention by writers who are all on the side of the Bolsheviks.

ARMEE OHNE HEIMAT. BY S. VON MARKOW. Vienna: Höger, 1934, 344 p. M. 4.80.

The campaigns of Wrangel, Koltchak, Denikin and Yudenitch.

OUTLINE HISTORY OF THE COMMUNIST PARTY OF THE SOVIET UNION. BY N. POPOV. New York: International Publishers, 1935, 2 v. \$6.00.



The translation of the sixteenth edition of a standard Russian history of the working-class movement and the Communist Party.

**SOCIALISM VICTORIOUS.** London: Lawrence, 1935, 735 p. 5/.

The addresses to the seventeenth Congress of the Soviet Union in February 1934 of Stalin, Molotov, Kaganovich and other prominent leaders, covering economic, administrative, military and other matters.

**BOLSCHEWISTISCHE WELTMACHTPOLITIK.** BY A. NORMANN. Bern: Gott-helf, 1935, 287 p. M. 10.

A history of the Third Internationale and its activities.

**L'U.R.S.S. DANS LE MONDE.** BY JEAN MARQUES-RIVIÈRE. Paris: Payot, 1935, 368 p. Fr. 25.

A study of Russian domestic and foreign affairs in the period since 1918.

**I SPEAK FOR THE SILENT.** BY VLADIMIR V. TCHERNAVIN. Boston: Hall, Cushman and Flint, 1935, 368 p. \$2.50.

The striking story of a Russian technical expert who was accused of counter-revolutionary activity and tried by the G. P. U.

**THE GRINDING MILL.** BY PRINCE A. LOBANOV-ROSTOVSKY. New York: Macmillan, 1935, 387 p. \$2.50.

The diaries and reminiscences of a Russian aristocrat during the war, the revolution and the counter-revolution. An interesting document.

**I CHANGE WORLDS.** BY ANNA LOUISE STRONG. New York: Holt, 1935, 422 p. \$3.00.

The autobiography of an American journalist, who went to Russia in 1921 and became a member of the Communist Party.

**MOSCOW CARROUSEL.** BY EUGENE LYONS. New York: Knopf, 1935, 371 p. \$3.50.

Sketches of life in the Soviet Union, by one who stayed there six years as correspondent of the United Press.

**SOVIET JOURNEY.** BY LOUIS FISCHER. New York: Smith and Haas, 1935, 308 p. \$2.50.

A record of many journeys in Soviet Russia, by an able defender of the Bolshevik régime.

**THE SOVIET UNION AND INTERNATIONAL LAW.** BY T. A. TARACOUZIO. New York: Macmillan, 1935, 530 p. \$7.50.

This is an important, scholarly study, based in large measure upon Russian materials. The author sets out to show how the Soviets, despite their feeling of separateness and their hostility to a bourgeois world, were nevertheless obliged to adjust themselves to the requirements of international intercourse. He discusses learnedly and in detail the Bolshevik conceptions of international law and the peculiarly Bolshevik interpretations. Due attention is paid to the significance of recognition by the United States and of Russia's entrance into the League. The book should have interest for all students of international affairs.

**ECONOMIC PLANNING IN SOVIET RUSSIA.** BY BORIS BRUTSKUS. London: Routledge, 1935, 252 p. 10/6.

A vigorous and able criticism of Marxian theory followed by a dissection of the claims made for the first Five Year Plan.

**RELIGION AND COMMUNISM.** BY JULIUS F. HECKER. New York: Wiley, 1935, 303 p. \$3.00.

The author of "Moscow Dialogues" reviews the whole course of religious development in Russia before the revolution, and the Soviet policy of persecution.

MOVED ON! BY P. S. NAZAROFF. London: Allen and Unwin, 1935, 317 p. 12/6.

Continues the author's remarkable "Hunted through Central Asia," telling the story of his prolonged flight from Kashgar to Kashmir.

DAWN OVER SAMARKAND. BY JOSHUA KUNITZ. New York: Covici-Friede, 1935, 348 p. \$3.00.

An account of recent developments in the new republics of Central Asia under the Bolshevik régime.

CHANGING ASIA. BY EGON E. KISCH. New York: Knopf, 1935, 267 p. \$3.00.

The translation of an Austrian journalist's account of the Bolshevik accomplishment in Uzbekistan and Tajikistan.

MEN OF SIBERIA. BY HUGO HUPPERT. New York: International Publishers, 1935, 325 p. \$1.50.

The translation of a young German's favorable impressions of Bolshevik industrial progress in Siberia.

LA TRAGÉDIE DU DANUBE. BY ANTOINE RÉDIER. Paris: Revue Française, 1935.

The author calls for a Danubian alliance as the only hope of checking the eastward expansion of Germany.

LA TERRORISME DEVANT LA SOCIÉTÉ DES NATIONS. BY F. S. CHANDAN. Paris: France les Balkans, 1935, 300 p. Fr. 15.

A violent attack upon the Hungarians for encouraging terrorism.

ORDEAL: THE STORY OF MY LIFE. BY QUEEN MARIE OF ROUMANIA. New York: Scribner, 1935, 473 p. \$3.75.

This second volume of Queen Marie's memoirs covers the period of the World War. It is not without historical value, especially regarding Rumania's entrance into the conflict.

YUGOSLAVIA: A NEW COUNTRY AND ITS PEOPLE. BY GRACE ELLISON. London: Lane, 1935, 318 p. 5/.

A general descriptive work for the layman.

LA VIE ET LA MORT D'ALEXANDRE I. BY CLAUDE EYLAN. Paris: Grasset, 1935, Fr. 15.

A superficial biography, by an admirer of the late King.

HEROES AND ASSASSINS. BY STOYAN CHRISTOWE. New York: McBride, 1935, 289 p. \$3.00.

The story of the Macedonian struggles for freedom, told by an American writer of Macedonian birth with much native exuberance and disregard of the fine distinctions between fact and fable.

### *The British Commonwealth of Nations*

ENGLANDS WELTPOLITIK ALS GLEICHGEWICHTSPOLITIK. BY HUGO PRELLER. Berlin: De Gruyter, 1935, 138 p. M. 1.62.

A survey of British foreign policy since about 1815, by an able German historian.

THE REIGN OF KING GEORGE THE FIFTH. BY D. C. SOMERVELL. New York: Harcourt, 1935, 541 p. \$3.00.

This is probably the best of many jubilee histories.

THE KING'S GRACE. BY JOHN BUCHAN. London: Hodder, 1935, 327 p. 5/.

Another good survey of the King's reign and of English history in the past quarter century.

FREDERICK EDWIN, EARL OF BIRKENHEAD. BY FREDERICK W. F., SECOND EARL OF BIRKENHEAD. London: Butterworth, 1935, 319 p. 21/.

This is the second volume of the authoritative life of the late British statesman. It is interesting chiefly for the light it throws on the Irish settlement and on the Indian constitutional problem.

LE RÉGIME PARLEMENTAIRE ANGLAIS CONTEMPORAIN. BY P. H. SIREY. Paris: Sirey, 1935, 247 p. Fr. 40.

A serious, scholarly study of the British parliamentary system, by a Frenchman educated in England.

CHALLENGE. BY LIEUTENANT-COLONEL GRAHAM S. HUTCHINSON. London: Hutchinson, 1935, 320 p. 8/6.

The author calls for the establishment of a guild state and the introduction of a generally Fascist program.

THE COMMUNIST ATTACK ON GREAT BRITAIN. BY G. M. GODDEN. London: Burns, 1935, 87 p. 1/6.

Revealing the activities of the Third International.

UNITY, NATIONAL AND IMPERIAL. BY H. MARTIN LEAKE. London: Allen and Unwin, 1935, 320 p. 8/6.

In reality a collection of essays on agricultural problems and land settlement in England and the Empire.

THE ARMY IN MY TIME. BY J. F. C. FULLER. London: Rich, 1935, 246 p. 6/.

A prominent British military writer reviews the development of the forces since about 1900, severely criticizing both the military and civil administration and calling for radical reforms.

THE FINANCIAL ADMINISTRATION OF SAROSTAT EIREANN. BY J. B. O'CONNELL. Dublin: Brown, 1935, 242 p. 7/6.

A systematic study of Irish financial affairs.

OUR HERITAGE AND OTHER ADDRESSES. BY HERBERT A. BRUCE. New York: Macmillan, 1934, 408 p. \$3.50.

A collection of speeches by the Lieutenant-Governor of Ontario.

DIE SÜDAFRIKANISCHE UNION. BY KARL HEINRICH DIETZEL. Berlin: Koloniale Rundschau, 1934, 294 p.

A well-documented study of the historical development, organization, problems and policies of the South African Union.

THE LAW AND CUSTOM OF THE SOUTH AFRICAN CONSTITUTION. BY W. P. M. KENNEDY AND H. J. SCHLOSSBERG. New York: Oxford University Press, 1935, 680 p. \$12.00.

Another authoritative treatment.

TURMOIL AND TRAGEDY IN INDIA. BY SIR GEORGE MACMUNN. London: Jarrolds, 1935, 18/.

A somewhat sensational account of happenings in India since 1914, by a well-known writer on Indian affairs.

THE INDIAN STRUGGLE. BY SUBHAS C. BOSE. London: Wishart, 1935, 354 p. 12/6.

One of the leaders of the extreme radical wing tells the story of India's struggle since 1920.

STEPS TOWARDS INDIAN HOME RULE. BY THE MARQUESS OF ZETLAND. London: Hutchinson, 1935, 128 p. 5/.

An instructive little collection of lectures on the constitutional problem, by a statesman who has been closely bound up with Indian affairs in recent years.

THE INDIAN NATIONAL CONGRESS. BY F. M. DE MELLO. New York: Oxford University Press, 1934, 121 p. 75 cents.

An historical outline.

THE NEW EMPIRE. BY K. M. PANIKKAR. London: Hopkinson, 1934, 131 p. 3/6.

A keen critique of Britain's past policies, but also of the Indian separatist movement. The author pleads for intelligent coöperation.

### *The Near East*

ELEMENTS D'UNE BIBLIOGRAPHIE FRANÇAISE DE L'APRÈS-GUERRE POUR LES ÉTATS SOUS MANDAT DU PROCHE-ORIENT. BY PHILIPPE J. BIANQUIS. Beirut: American University, 1934, 208 p.

An excellent bibliography of some three thousand titles, which might well be extended to the literature in English and other languages.

THE TRAGEDY OF THE ASSYRIANS. BY LIEUTENANT-COLONEL R. S. STAFFORD. London: Allen and Unwin, 1935, 235 p. 8/6.

The author, for years a British official in Iraq, reviews the development of the problem since 1914, tells the story of the massacres of 1933 and exonerates the British of responsibility.

ÉVOLUTION POLITIQUE DE LA SYRIE ET DU LIBAN, DE LA PALESTINE ET DE L'IRAK. BY J. ACHKAR. Paris: Librairie du Foyer, 1935, Fr. 15.

A general, systematic study, which fills a distinct need.

LA SYRIE. BY R. P. LAMMENS. Paris: Librairie du Foyer, 1935, 2 v., Fr. 20.

An excellent general history of Syria, by a Jesuit writer.

PALESTINA D'OGGI. BY FRANCO CERENZANI. Brescia: Vannini, 1934, 400 p. L. 12.

A record of travel, with a discussion of politics and problems.

JEW IN PALESTINE. BY A. REVUSKY. New York: Vanguard, 1935, 390 p. \$3.50.

A convenient description of recent developments.

KETAVIM U-TEUDOTH. Tel-Aviv: Mapai, 1935, 201 p.

A documentary history of Palestine and especially of the labor movement, edited by the Central Committee of the Palestine Labor Party.

IL YEMEN NELLA STORIA E NELLA LEGGENDA. BY CESARE ANSALDI. Rome: Arti Grafiche, 1934, 266 p. L. 25.

A beautifully illustrated book on the little known Yemen region, published under the auspices of the Ministry for Colonies.

### *Africa*

ALLGEMEINE LÄNDERKUNDE VON AFRIKA. BY F. KLUTE. Hannover: Hahn, 1935, 298 p. M. 9.

A scholarly work on the geography and ethnology of Africa, by a German expert.

THE MONETARY SYSTEM OF EGYPT. BY MOHAMMED ALI RIFAAT. London: Allen and Unwin, 1935, 206 p. 7/6.

A valuable contribution. The author, a trained economist, discusses the whole economic life of Egypt as well as the working of the financial institutions.

L'ALGÉRIE VIVRA-T-ELLE? BY MAURICE VIOLETTE. Paris: Alcan, 1935, 504 p. Fr. 20.

A survey of current problems, by a former Governor-General.

**LIBERIA IN WORLD POLITICS.** BY Nnamdi Azikiwe. London: Stockwell, 1935, 406 p. 7/6.

An important book, written by a Liberian who was for a time professor of political science in an American university. The author gives a sound, documented account of the history of Liberia, but devotes a major part of the book to the developments and problems of recent years, especially the coming of the rubber interests and the rise of the forced labor problem. There is a full discussion of Liberian nationalism and of Liberia's international position, especially her relations to the League.

**HISTORICAL LIGHTS OF LIBERIA'S YESTERDAY AND TO-DAY.** BY ERNEST J. YANCY. Xenia, Ohio: Aldine, 1934, 323 p. \$2.50.

A good historical sketch.

**FÜNFZIG JAHRE TOGO.** BY A. FULL. Berlin: Reimer, 1935, 280 p. M. 6.

A detailed monograph on Togoland, with an excellent bibliography.

**HELL-HOLE OF CREATION.** BY L. M. NESBITT. New York: Knopf, 1935, 390 p. \$3.75.

One of the outstanding travel books of recent times, being the story of a mining engineer's experiences in Abyssinian Danakil.

### *The Far East*

**NANKIN CONTRE TOKIO.** BY HENRY CASSEVILLE. Paris: Berger-Levrault, 1934, 224 p. Fr. 15.

A well-informed narrative of events in China between 1928 and 1933, followed by the story of the Sino-Japanese conflict.

**MUST WE FIGHT IN ASIA?** BY NATHANIEL PEPPER. New York: Harper, 1935, 244 p. \$2.50.

A somewhat dogmatic analysis of the conflict of imperialist forces in the Far East, by a writer who regards war as inevitable unless the entire social system of Japan and the United States is changed.

**THE FOUR HUNDRED MILLION.** BY MARY A. NOURSE. Indianapolis: Bobbs-Merrill, 1935, 375 p. \$3.50.

A well-written and illustrated survey of Chinese history, by a woman long resident in the interior. The emphasis is on cultural history, though fully half of the book is devoted to the developments of the last hundred years.

**MANCHURIA, CRADLE OF CONFLICT.** BY OWEN LATTIMORE. New York: Macmillan, 1935, 343 p. \$3.00.

A revised edition of a book published three years ago, with new chapters on events since 1931.

**THE CASE FOR MANCHOUKUO.** BY GEORGE BRONSON REA. New York: Appleton-Century, 1935, 436 p. \$3.50.

A complete presentation of the case for the new state and a defense of Japanese policy, by a "counsellor" of the Ministry for Foreign Affairs of Manchukuo. The gist of his argument is that Manchuria was not Chinese, that the revolution there was a bona fide affair, and that Japanese policy in Manchukuo was necessary as a protection against communism and Bolshevik advances. He makes many suggestions for averting a conflict between Japan and the United States.

**TOWARD UNDERSTANDING JAPAN.** BY SIDNEY L. GULICK. New York: Macmillan, 1935, 270 p. \$2.00.

An American who has known the Japanese intimately, reexamines their problems and policies in the hope of explaining the situation and minimizing the danger of conflict with the United States. The author lays great stress on the population problem and the

economic difficulties of Japan, though he is by no means uncritical. He surveys also the development of American-Japanese relations and ends with a plea for friendship. The United States can contribute, he thinks, by changing its financial policies in the Far East, by accepting the existing facts with regard to Manchuria, and by revising its immigration policy with respect to the Japanese.

**BEHIND THE FACE OF JAPAN.** BY UPTON CLOSE. New York: Farrar and Rinehart, 1935, 409 p. \$3.00.

A frequent writer on Far Eastern affairs gives what seems a somewhat hysterical account of the Japanese menace.

**RIDING THE TIGER.** BY HARRY CARR. Boston: Houghton, 1934, 262 p. \$2.50.

The author expatiates on Japan's dread of war with the United States and upon her fear of Russia and communism.

**JAPAN'S PACIFIC MANDATE.** BY PAUL H. CLYDE. New York: Macmillan, 1935, 250 p. \$3.00.

A study of the Japanese administration of the Pacific islands, by an American scholar who visited them at the invitation of the Japanese Government.

### *Latin America*

**RENASCENT MEXICO.** EDITED BY HUBERT HERRING AND HERBERT WEINSTOCK. New York: Covici-Friede, 1935, 322 p. \$2.50.

A study of political and cultural aspects of recent Mexican developments. The outgrowth of a seminar held at Mexico City.

**ORGANIZED LABOR IN MEXICO.** BY MARJORIE R. CLARK. Chapel Hill: University of North Carolina Press, 1934, 315 p. \$2.50.

A careful, scholarly treatment of the subject, with special reference to the working of the labor clauses of the constitution of 1917 and the new legislation of 1931.

**ARGENTINA, BRAZIL AND CHILE SINCE INDEPENDENCE.** BY J. FRED RIPPY, PERCY A. MARTIN AND ISAAC J. COX. Washington: George Washington University Press, 1935, 481 p. \$3.00.

A new volume, by three American authorities, in the excellent "Studies in Hispanic American Affairs."

**BRAZIL.** BY JOÃO F. NORMANO. Chapel Hill: University of North Carolina Press, 1935, 266 p. \$3.00.

A scholarly study of the basic factors in Brazil's economic life, with a detailed account of the country's place in the international economic structure and a full discussion of the Brazilian system of banking and finance.

**HIS MAJESTY THE PRESIDENT.** BY ERNEST HAMBLOCH. London: Methuen, 1935, 252 p. 10/6.

An analysis of the political development of Brazil since the end of the Empire.

**INITIATION À LA VIE EN ARGENTINE.** BY MAX DAIREAUX AND OTHERS. Paris: Colin, 1935, 192 p. Fr. 12.

A group of French writers discuss the economic and intellectual life of Argentina.



# SOURCE MATERIAL

*By Denys P. Myers*

## PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States*: Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain*: British Library of Information, 270 Madison Ave., New York. *France*: Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV<sup>e</sup>. *League of Nations*, *Int. Labor Office*, *Perm. Court of Int. Justice* and *Int. Institute of Agriculture*: World Peace Foundation, 40 Mt. Vernon St., Boston. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of Government documents has been printed in the *Monthly List of Books Catalogued in the Library of the League of Nations*.

### AIR TRANSPORT

ORGANISATION for Communications and Transit. Air Transport Co-Operation Committee. Special Sub-Committee to Study the Question of the Constitution and Operation of a Main Network of Permanent Air Routes. ECONOMICS of Air Transport in Europe. Report submitted to the Sub-Committee by M. Henri Bouché. Geneva, 1935. 73 p. maps, charts. 27 cm. (League of Nations, C. 97. M. 44. 1935. VIII. 1.)

### ANIMAL DISEASES

I. INTERNATIONAL Convention for the Campaign against Contagious Diseases of Animals. Geneva, 1935. 9 p. 33 cm. (C. 77. M. 33. 1935. II. B. 1.)

II. INTERNATIONAL Convention concerning the Transit of Animals, Meat and Other Products of Animal Origin. Geneva, 1935. 9 double p. 33 cm. (League of Nations, C. 78. M. 34. 1935. II. B. 2.)

III. INTERNATIONAL Convention concerning the Export and Import of Animal Products (other than Meat, Meat Preparations, Fresh Animal Products, Milk and Milk Products). Geneva, 1935. 8 double p. 33 cm. (League of Nations, C. 79. M. 35. 1935. II. B. 3.)

### ARMAMENT — BRITISH

FLEETS. The British Commonwealth of Nations and Foreign Countries. Particulars of the Fleets of the British Commonwealth of Nations, United States of America, Japan, France, Italy, Soviet Union, and Germany, on the 1st day of February, 1935, distinguishing, both built and building, Battleships, Battle Cruisers, Cruisers, Cruiser Minelayers, Minelayers, Armoured Coast Defence Vessels, Monitors and Netlayers, Aircraft Carriers, Flotilla Leaders and Destroyers, Torpedo Boats, Submarines, Sloops, Coastal Motor Boats, Gunboats and Despatch Vessels, River Gunboats and Minesweepers. London, 1935. 96 p. 24½ cm. (Cmd. 4817.) 1s. 6d.

MEMORANDUM by the Secretary of State for Air to Accompany Air Estimates 1935. London, 1935. 12 p. 24½ cm. (Cmd. 4822.) 2d.

MEMORANDUM of the Secretary of State for War relating to the Army Estimates 1935. London, 1935. 9 p. 24½ cm. (Cmd. 4814.) 2d.

STATEMENT of the First Lord of the Admiralty Explanatory of the Navy Estimates 1935. London, 1935. 19 p. 24½ cm. (Cmd. 4823.) 4d.

### ARMAMENT CONFERENCE

CONFERENCE for the Reduction and Limitation of Armaments. National Defence Expenditure Commission. Report of the Technical Committee. Volume III (Complementary). Geneva, 1935. 229 p. 33 cm. (Conf. D. 158. 1935. IX. 1.)

PUBLICITY of National Defence Expenditure. Draft Convention prepared by the Technical Committee of the National Defence Expenditure Commission. Geneva, 1935. 86 p. 33 cm. (League of Nations, Conf. D./C. G. 160 (1). 1935. IX. 3.)

CONFERENCE Documents. Volume II. Geneva, 1934. p. 283-736. 33 cm. (League of Nations, 1935. IX. 4.)

DISARMAMENT, Security and Control. Draft of Convention for Disarmament, Security, and Control Based on the Kellogg Pact. Presented by Mr. Pope March 13 (calendar day, March 15), 1935. Washington, 1935. 26 p. 23 cm. (Sen. Doc. No. 33, 74th Cong., 1st sess.)

### CHINA

EXCHANGE of Notes between His Majesty's Government in the United Kingdom and the National Government of the Republic of China relating to Land Tenure and Taxation in the Former British Concessions at Hankow and Kiukiang, Nanking, October 27, 1934. London, 1935. 3 p. 24½ cm. (Treaty Series No. 5 (1935) Cmd. 4836.) 1d.

### CLAIMS

AGREEMENT between His Majesty's Government in the United Kingdom and the Hungarian

Government for the provisional Dissolution of the Anglo-Hungarian Mixed Arbitral Tribunal, London, January 31, 1935. London, 1935. 2 p. 24½ cm. (Treaty Series No. 10 (1935) Cmd. 4862.) id.

CLAIM made by the Finnish Government with Regard to Finnish Vessels Used During the War by the Government of the United Kingdom. Geneva, 1935. 16 p. 33 cm. (League of Nations, C. 12. M. 7. 1935. VII. 5.)

EN BLOC SETTLEMENT of Special Claims. Convention between the United States of America and Mexico. Signed at Mexico City, April 24, 1934. Washington, 1935. 6 p. 23 cm. (Treaty Series, No. 878.) 5 cents.

EXCHANGE of Notes between the Government of the Irish Free State and the German Government in regard to the Release of German Property, Dublin, September 14, 1934. London, 1935. 3 p. 24½ cm. (Treaty Series No. 1 (1935) Cmd. 4783.) id.

FURTHER Extending the Duration of the General Claims Commission Provided for in the Convention of September 8, 1923. Convention between the United States of America and Mexico. Signed at Mexico City, June 18, 1932. Washington, 1935. 4 p. 23 cm. (Treaty Series, No. 883.) 5 cents.

GENERAL CLAIMS. Protocol between the United States of America and Mexico. Signed at Mexico City, April 24, 1934. Washington, 1935. 13 p. 23 cm. (Executive Agreement Series, No. 57. Publication No. 709.) 5 cents. (Revised Print, Superseding Publication No. 601.)

REPORT of Robert W. Bonyng, Agent of the United States, before the Mixed Claims Commission, United States and Germany. Established Under the Agreement of August 10, 1922, between the United States of America and Germany — Jurisdiction Extended by the Agreement of December 31, 1928, between the Two Governments. 1934. Washington, 1935. vii, 271 p. 23 cm.

#### COMMERCIAL AGREEMENTS

AGREEMENT between His Majesty in respect of the United Kingdom and the President of the Republic of Poland relating to Commercial Travellers, Warsaw, October 26, 1933. London, 1935. 13 p. 24½ cm. (Treaty Series No. 4 (1935) Cmd. 4829.) 3d.

AGREEMENT between the Government of the United Kingdom and the Polish Government in regard to Trade and Commerce (with Protocol and Notes). London, February 27, 1935. London, 1935. 40 p. 24½ cm. (Poland No. 1 (1935) Cmd. 4820.) 9d.

COMMERCIAL agreement between His Majesty's Government in the United Kingdom and the Government of Latvia with protocol and notes, London, July 17, 1934. London, 1934. 30 p. 24½ cm. (Treaty Series No. 35 (1934) Cmd. 4753.) 6d.

EXCHANGE of Notes between His Majesty's Government in the Commonwealth of Australia and the Belgian Government regarding Commercial Relations, Canberra, November 19, 1934. London, 1935. 6 p. 24½ cm. (Treaty Series No. 3 (1935) Cmd. 4812.) id.

EXCHANGE of Notes between the Government of the Irish Free State and the German Government in regard to Commercial Relations, Dublin, January 28, 1935. London, 1935. 6 p. 24½ cm. (Treaty Series No. 6 (1935) Cmd. 4844.) id.

#### COURT OF INTERNATIONAL JUSTICE, PERMANENT

APPEAL from a Judgment of the Hungaro-Czechoslovak Mixed Arbitral Tribunal (The Peter Pázmány University v. The State of Czechoslovakia). Application. — Cases and Annexes. Permanent Court of International Justice, XXXth Session. Judgment of December 15th, 1933. Leyden, 1934. 2 vols. 24½ cm. (Series C, No. 72 and 73.)

#### EUROPEAN SETTLEMENT

JOINT COMMUNIQUÉ issued on behalf of His Majesty's Government in the United Kingdom and the Government of the French Republic as the result of the Conversations between the French and British Ministers in London, February 1st to 3rd, 1935. London, 1935. 3 p. 24½ cm. (Miscellaneous No. 1 (1935) Cmd. 4798.) id.

NOTE delivered by His Majesty's Ambassador in Berlin to the German Government on March 18, 1935. London, 1935. 3 p. 24½ cm. (Germany No. 1 (1935) Cmd. 4848.) id.

#### GOLD CLAUSES

GOLD CLAUSES in Obligations. Opinions of the Supreme Court of the United States and the Dissenting Opinions in the Cases Questioning the Validity of the Joint Resolution of Congress of June 5, 1933, with Respect to the "Gold Clauses" in Obligations. Washington, 1935. 42 p. 23 cm. (Sen. Doc. No. 21, 74th Cong., 1st sess.)

Text of decisions of the Supreme Court of the United States rendered February 18, 1935.

COMITÉ ÉCONOMIQUE. Études relatives au problème des rapprochements économiques Européens. Troisième Série. Chiffres Essentiels du Commerce des "Pays du Bloc-Or" entre eux, ainsi qu'avec l'Allemagne, le Royaume-Uni et les États-Unis. Données réunies par le Secrétariat sur la base des statistiques officielles. Geneva, 1935. 93 p. incl. tables, charts. 33 cm. (League of Nations, E. 867. 1935. II. B. 4.)

## HAITI

HAITI. Annual Report of the Fiscal Representative for the Fiscal Year October, 1933–September, 1934. Submitted to the Secretary of State for Finance and Commerce of the Republic of Haiti, and the Secretary of State of the United States of America. Port-au-Prince, Imprimerie de l'État, [1935]. v, 188 p. 23½ cm.

## HUNGARY-JUGOSLAVIA

REQUEST of the Yugoslav Government under Article 11, Paragraph 2, of the Covenant. Communication from the Hungarian Government. Geneva, 1935. 133 p. 33 cm. (League of Nations, C. 48. M. 21. 1935. VII. 2.)

## INDIA

AGREEMENT between His Majesty's Government in the United Kingdom and the Government of India Supplementary to the Ottawa Trade Agreement of August 20, 1932 (With Exchange of Letters), London, January 9, 1935. London, 1935. 7 p. 24½ cm. (Cmd. 4779.) 2d.

THE GOVERNMENT OF INDIA Bill. Explanatory Memorandum. London, 1935. 6 p. 24½ cm. (Cmd. 4790.) 2d.

GOVERNMENT OF INDIA. A Bill to make further provision for the government of India. Presented by Secretary Sir Samuel Hoare, supported by the Prime Minister, Mr. Baldwin, Secretary Sir John Simon, Mr. Attorney-General and Mr. Butler. London, 1934. XXVI, 323 p. 28 cm. (Bill 17.) 5s.

## INTELLECTUAL COÖPERATION

BULLETIN de l'office international des instituts d'archéologie et d'histoire de l'art. Première Année. Vol. I, No. 1. Paris, 1934–. (Institut International de Coopération Intellectuelle.)

EAST AND WEST. Gilbert Murray — Rabindranath Tagore. Paris, 1935. 67 p. 22½ cm. (An International Series of Open Letters 4.)

HOLIDAY COURSES in Europe 1935. Paris, [1935]. iv, 76, v–viii p. 24 cm. (Institut de Coopération Intellectuelle.)

LE IV<sup>e</sup> ENTRETIEN International à Venise. L'art et la Réalité, L'Art et l'État. Paris, [1934]. iv, p. 443–531. 22½ cm. (Coopération Intellectuelle 45–46.)

MUSIQUE & CHANSON Populaires. Paris, 1934. 256 p. 22½ cm. (Dossiers de la Coopération Intellectuelle.)

## INTERNATIONAL CONFERENCES

AMERICAN DELEGATIONS to International Conferences, Congresses and Expositions and American Representation On International Institutions and Commissions With Relevant Data. Fiscal Year Ended June 30, 1934. Compiled in the Division of Protocol and Conferences. Washington, 1935. vi, 63 p. 23 cm. (Department of State, Conference Series No. 20.) 10 cents.

## LABOR ORGANIZATION, INTERNATIONAL

EMPLOYMENT of Women on Underground Work in Mines of All Kinds. International Labour Conference, Nineteenth Session, Geneva, 1935. Second Item on the Agenda. Report II. Geneva, 1935. 47 p. 24 cm.

HOURS of Work in Postal Services. Geneva, 1935. 95 p. 24½ cm. (Studies and Reports, Series D, No. 21.) 75 cents.

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PARTIAL Revision of the Hours of Work (Coal Mines) Convention, 1931. International Labour Conference, Nineteenth Session, Geneva, 1935. Seventh Item on the Agenda. Report VII. Geneva, 1935. 52 p. 24 cm.

PUBLIC WORKS Policy. Geneva, 1935. 166 p. 24 cm. (Studies and Reports, Series C, No. 19.) \$1.00.

STUDIES on Industrial Relations. III. The Canadian National Railways. — The Pequot Mills, Salem, Mass., U. S. A. — A Paris Department Store. — The Norwegian Nitrogen Company. — Industrial Relations in the Grand Duchy of Luxemburg. Geneva, 1935. 183 p. 24 cm. (Studies and Reports, Series A, No. 38.) \$1.00.

## MANCHURIA

GENERAL SURVEY of Conditions in Manchoukuo. With Special Emphasis on Economic Developments. Hsinking, The Department of Foreign Affairs, Manchoukuo Government, 1934. 50 p. incl. tables. 22½ cm.

## MUNITIONS INDUSTRY

MUNITIONS INDUSTRY. International Regulation of the Trade in and Manufacture of Arms and Ammunition, by Manley O. Hudson. . . . A Report presented on September 1, 1934, by the American Committee in Geneva to the Special Committee authorized by the Senate of the

United States to Investigate the Munitions Industry, together with a Supplementary Report presented on December 1, 1934. Washington, 1935. iv, 104 p. 23 cm. (Senate Committee Print No. 1, 73d Cong. 2d sess.)

INDUSTRIAL MOBILIZATION Plan. Revised — 1933. A Revision of the plan for industrial mobilization submitted by the War Department in 1931 to the War Policies Commission appointed under the authority of Public Resolution No. 98, Seventy-First Congress. Approved by the Secretary of War, February 21, 1933. Approved by the Secretary of the Navy February 23, 1933. Washington, 1935. ix, 102 p., charts. 23 cm. (Senate Committee Print No. 2, 74th Cong. 2d sess.)

MUNITIONS INDUSTRY. Final Report of the Chairman of the United States War Industries Board to the President of the United States, February 1919. Washington, 1935. xxx, 1111 p. 23 cm. (Senate Committee Print No. 3, 74th Cong. 1st sess.)

MUNITIONS INDUSTRY, hearings, 73d Congress, pursuant to S. Res. 206, to make certain investigations concerning manufacture and sale of arms and other war munitions, Dec. 4-[12], 1934. Washington, 1935. pts. 9-12. p. 2081-2902.

#### NEW HEBRIDES

EXCHANGE of Notes between His Majesty's Government in the United Kingdom and the French Government regarding certain matters affecting the Administration of the New Hebrides, London, January 31, 1935. London, 1935. 10 p. 24½ cm. (Treaty Series No. 7 (1935) Cmd. 4852.) 2d.

#### PAYMENTS, NATION-TO-NATION

ANGLO-BRAZILIAN Payments Agreement, Rio de Janeiro, March 27, 1935. London, 1935. 4 p. 24½ cm. (Brazil No. 1 (1935) Cmd. 4864.) 1d.

ANGLO-ROUMANIAN Payments Agreement (with Protocol), London, February 8, 1935. London, 1935. 6 p. 24½ cm. (Roumania No. 1 (1935) Cmd. 4802.) 1d.

#### SAAR PLEBISCITE

SAAR Territory. Result of the Plebiscite. Geneva, 1935. 7 p. (maps, tables). 33 cm. (League of Nations, C. 44 (1). M. 19 (1). 1935. VII. 4.)

REPORT of the Council Committee. Geneva, 1935. 32 p. 33 cm. (League of Nations, C. 103. M. 48. 1935. VII. 6.)

Contains Franco-German agreements relative to the transfer.

THIRD to Seventh Monthly Reports of the Plebiscite Commission (September 1st, 1934, to January 15th, 1935). Geneva, 1935. 24 p. 33 cm. (League of Nations, 1935. VII. 7.)

#### SECURITIES AND EXCHANGES

REPORT on the Government of Securities Exchanges. Letter from the Chairman of the Securities and Exchange Commission Transmitting the Commission's Report of the Investigation of Stock Exchange Government, together with its Recommendations. [Washington, 1935.] 34 p. 23 cm. (H. Doc. No. 85, 74th Cong. 1st sess.)

SPECULATION. Stock Exchange Practices, report pursuant to S. Res. 84 (72d Congress), to investigate practices of stock exchanges with respect to buying and selling and borrowing and lending of listed securities, and S. Res. 56 and S. Res. 97 (73d Congress), resolutions to investigate matter of banking operations and practices, transactions relating to any sale, exchange, purchase, acquisition, borrowing, lending, financing, issuing, distributing, or other disposition of, or dealing in, securities or credit by any person or firm, partnership, company, association, corporation, or other entity, with view to recommending necessary legislation, under taxing power or other Federal powers; submitted by Mr. Fletcher. Washington, 1934. viii, 394 p. (S. rp. 1455, 73d Cong. 2d sess.) (Corrected print.) Paper, 25 cents.

#### TIN

TIN INVESTIGATION. Report of the Subcommittee of the House Committee on Foreign Affairs . . . on H. Res. 404, 73d Congress, 2d Session and H. Res. 71, 74th Congress, 1st Session, to Authorize an Investigation into the extent to which the United States is dependent upon Foreign Nations for its Supply of Tin, and for Other Purposes. Parts 1-3, 1934-1935. Washington, 1935. v, 111 p. 23 cm.

Resultant proposed legislation is H. R. 7675.

#### UNITED STATES TREATIES

TREATIES and Other International Acts of the United States of America. Edited by Hunter Miller. Volume 4. Documents 80-121: 1836-46. Washington, 1935. xxvi, 855 p. 26½ cm. \$4.00.